PROJECT

BUILD, BUY OR LEASE

A STUDY OF REAL ESTATE INVESTMENT FOR A SMALL BUSINESS OWNER

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EXECUTIVE SUMMARY

When a corporate user of light industrial space seeks to combine the physical requirements of its business with investment goals, the added value created by the development of a building on a pad site may have higher returns over the alternatives of leasing or buying an industrial condo. This hypothesis will be proven true if the demand for the space is sufficient and the highest and best use of that pad site is the proposed building. Creating a comprehensive market study and development plan, and comparing it to the investment alternatives of leasing similar space or buying an industrial condo will detail development risk and rewards.

For this study the client is a small electronic manufacturer/assembler currently based in Frederick, Maryland. The owner of that business is also looking to make a real estate investment and will build or buy if it proves feasible. The owner/investor has several motivations for this move, including a potential sale of the manufacturing business that would be subject to any lease. In all scenarios the tenant would be the manufacturing firm. The business owner/investor has selected sites for each of the build, buy and lease options. Development feasibility and investments will be analyzed assuming the construction of an 18,000 +/- SF industrial building on lot 34 in Stanford Industrial Park in Frederick County, Maryland. There are newly completed condos on Tilco Drive that will be analyzed for the buy option. The same condos have recently been listed by the developer as available for lease, so these will be studied for the lease scenario.

Some of the parameters of this investment are as follows. All analysis will be based on a 10 year hold or lease period and will weigh individual risks and returns. The rental alternative will assume unused equity will be invested in a mix of REIT stocks with historic dividends and stock price appreciation considered. Industrial condo purchase analysis will be based on flex condos that have been recently completed.

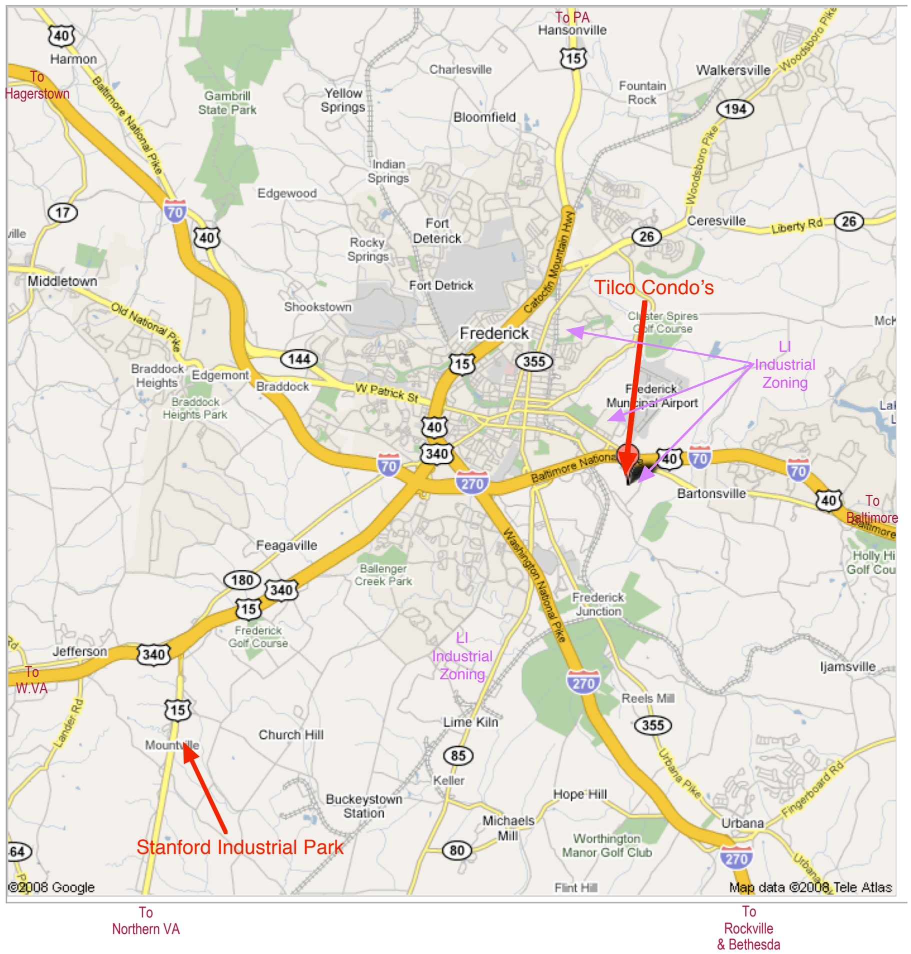
A critical component of this case study will be the market analysis, since all three alternatives will rely on it for their conclusions. The development plan and market study will be in sufficient detail to address the underwriting needs of a potential lender, as well as the corporate equity source. Given the current financing climate and the $1-2 million size of this project, local banks will be the lenders of choice. Building and site design will be schematic in nature, but given the simplicity of light industrial construction and finishes, further design development will be relatively straightforward. If the hypothesis is proven, the development plan will be ready to start financing, lot acquisition and site plan approval.

1. USER/INVESTOR NEEDS ANALYSIS

The user/tenant requires 18,000+/- square feet of assembly and office space. For all scenarios build, buy or rent, tenant improvements are excluded. They would apply to all scenarios equally and probably would be paid for by the tenant in cash or amortized and paid with increased rent. Other desirable features are 22′ clear ceilings, and both a dock and drive-up door.

1.1 SITE SELECTION CRITERIA

The customers of this business are not local, so storefront showroom space or a prime micro location for client access would not be needed. The tenant's employees have indicated that east of the city of Frederick is the ideal commute for them. An area location with good highway access and approximately 18 parking spaces would be required. The tenant's business has a very low nuisance value, and as the zoning discussion in Section 3.1 shows, Limited Industrial zoning will be required. The following map shows the proposed locations of the Tilco Condos and Stanford Industrial Park. The maps in Appendix A show the locations and access in more detail.



1.2 INDUSTRIAL BUILDING TYPES

There is considerable diversity in the types of spaces, as well as uses that fall under the industrial category. The National Association of Office and Industrial Properties lists[1] three major types and several subcategories to define these uses and spaces. The major types are; Manufacturing, Warehouse/Distribution and Flex. Subtype categories under Warehouse are; General-Purpose Warehouse, General-Purpose Distribution And Truck Terminals. The flex subtypes are; General-Purpose Flex and Showroom/Service

[1] NAIOP Terms & Definitions, NAIOP Research Foundation, 2005

Center. Per these classifications (Appendix B), the space the tenant requires falls into the General Purpose Flex category.

There are currently 5 areas in Frederick County with concentrations of industrial space. The Frederick County zoning code breaks down industrial uses into Limited Industrial, General Industrial and Mineral/Mining. Most of the flex type buildings are located in the Limited Industrial or Office/Research Industrial zones.

Because the county zoning addresses uses and not building types, flex space can be found in both the Office/Research Industrial zones as well as Limited Industrial zones. As a practical matter, flex in Frederick County is usually built out as office space and many of the buildings do not have drive up or loading dock access. These configurations do not meet the classification by NAIOP as typical flex space, and this leads to some skewing of the average rents in brokers publications that do not carefully segregate small industrial spaces from flex. When the spaces are sorted by use and buildout, there is a significant difference in the rents for flex space and warehouse. Flex is currently renting at an average of $13 a square foot while industrial warehouse averages about $7.50 a square foot.

2. MARKET STUDY

2.1 WASHINGTON AREA REAL ESTATE MARKET OVERVIEW

The Washington area economy has noticeably slowed, but is still outperforming the national picture. Job growth is down to 66% of its long-term average rate for the 12 months ending in July '08, third highest of large metro areas in the nation[2]. Unemployment is low and the region still enjoys one of the strongest economic bases in the nation.

The Washington area's gross regional product (GRP) was $367.9 billion in 2007, an increase of 5.6% from revised 2006 figures. Expectations are that the GRP will grow 2.5% in 2008[2].

After the solid growth of the last few years, this seems like big downturn, but a healthy commercial real estate market is possible if production of new space is slowed[3].

Generally, real estate in the Washington region is not doing badly and still is one of the top performing markets in the country. Office vacancies are rising slightly and rents are holding steady. Class A Washington apartments have a similar story and set a new record for absorption from Q3-07 to Q3-08. The retail sector remains strong, with investors still getting excellent returns[4].

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[2] GMU-CRA Wash. Market Update Status: Oct. 27,'08
[3] Delta Associates 3Q08 Market Information: Washington DC Report
[4] Southeast Real Estate Journal, October '08

Delta Associates reports[5] "We expect the Washington metro area economy to make modest gains in 2008, as the aftermath of the Credit Crunch continues to unfold. Although we expect growth to slow this year, we anticipate modestly improving conditions in 2009, with healthier progress in 2010 as the economy regains it's footing." This is a sentiment shared by many economists.

2.2 FREDERICK COUNTY ECONOMY

Half a century ago, Frederick was a farming community with little in common with the nation's capital to its south. Once Interstate 270 was constructed, a strong connection was made between Frederick County and the growth and sprawl of the Washington region. This has led to significant growth in the county, but at the same time, it has maintained much of it's economic independence.

2.3 FREDERICK POPULATION GROWTH.

Frederick County has had steady population growth in spite of several moratoria on residential building over that last decade. In the '90's the county's population grew 30%. In the first half of this decade, population grew by 5% and the latter half is expected to bring another 6%, to a total population of about

[5] Delta Associates 3Q08 Market Information: Washington DC Report pg 1

250,000 by 2010[6]. As a comparison, currently Montgomery County, MD has approximately 950,000 residents and has grown 6.6%[7] during the same period.

2.4 REGIONAL ECONOMIC ANALYSIS

Of the five largest job markets in the US, the Washington MSA has the lowest unemployment at 4.7% as opposed to the national average of 6.1%[8]. The County's 2008 average unemployment rate is 3.4%. From 2002-2006 the county's unemployment decreased from 3.4% to a low of 3.0%[4].

A key driver of any real estate market is job growth. This affects all sectors of the real estate industry in some way. A subset of job growth is small business growth, the main consumers of flex and light industrial space. Frederick County has proven its ability to create economic growth on its own over the last few decades. The county's 2001-2006 annual employment growth rate average was 3.02%[9]. As the job growth chart below shows (Figure 1), 2007 had a sharp drop-off in job creation in the county, and a lesser decline in the Washington region.

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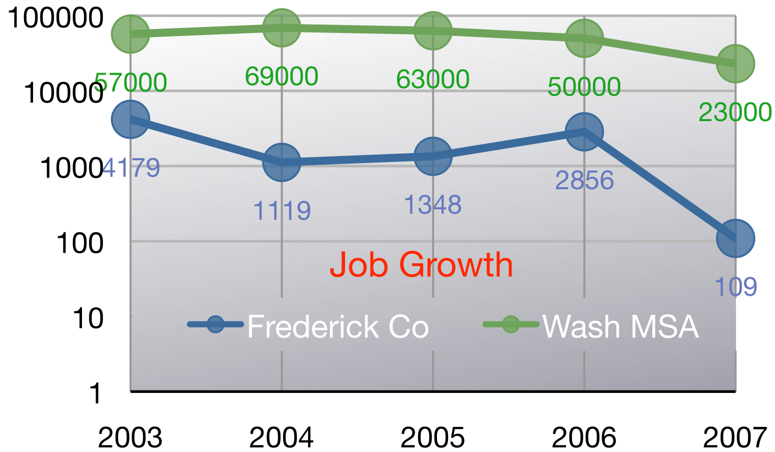
[6] MD Department of Planning, September 2005 Population Forecast Report
[7] US Census Bureau, Quickfacts
[8] GMU-CRA
[9] MD DLLR

Figure 1



Frederick County has a Target Industries Program to seek to enhance job growth in bioscience, manufacturing, agriculture and advanced technologies. This effort has yielded a 34% increase in bioscience jobs since 2004, and has created the second highest number of new IT jobs in Maryland since 2002. New businesses growth has remained steady at for the last few years at 3% per year[10].

As Figure 2 shows, the largest segment of employees in the county work for a state local or federal government entity, with Fort Detrick being the largest employer with more growth expected.

[10] Fredrick County OED, BEDF

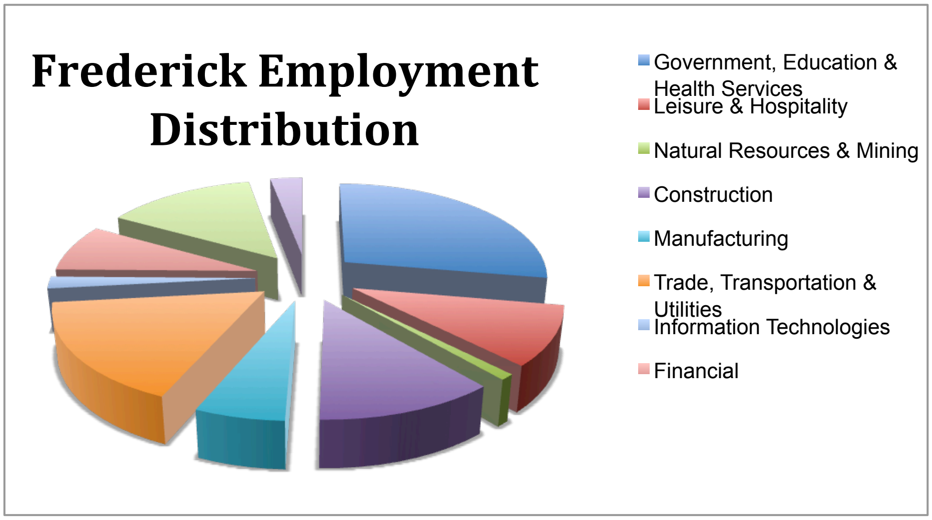


Figure 2

There are some large private sector employers also, including Bechtel (2,203 employees) and one of the few remaining "smokestack industrial" employers in the state, Alcoa-Eastallco (723 employees), an aluminum processor.

The commuting patterns of the county paint a vivid picture of its ability to create jobs, and stand apart from the rest of the metro region. There are over 32,000 residents commuting out of the county, with the largest number (over 19,000) going to Montgomery County.

Resident Workforce

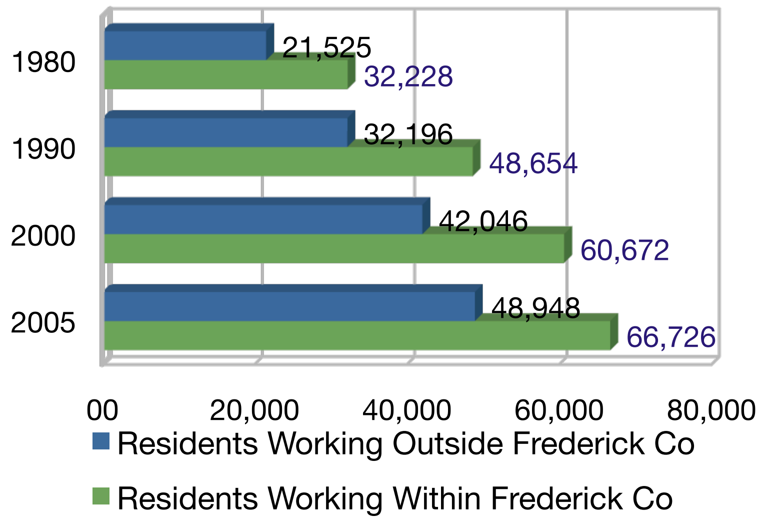


Figure 3

More importantly, there are 15,000 members of the labor force that commute into Frederick and over 67,000 currently live and work in the county[11].

In Frederick County, from 2000-2006 commercial and industrial construction increased 411% to a record high of $282 million, but has slowed drastically due to rising vacancies and pessimistic economic forecasts.

2.5 SMALL BUSINESSES DEVELOPMENT

Frederick County has several programs[12] to support and attract small businesses. These include directories and networking and a startup business plan development program in conjunction with the Small Business

[11] County Commissioners' I-270 Transportation Summit, June 16, 2007
[12] Frederick County Office of Economic Development website

Administration. The Small Business Revolving Loan Fund is a County program that provides gap financing for existing and aspiring small businesses in Frederick County.

Since the typical user of this type of space is a small business and possibly a startup, the programs that are in place may help with demand at reversion.

2.6 COUNTY TRANSPORTATION

Frederick County's Master Transportation Plan[13] calls for approximately $10 million in road improvements near the Ballanger Creek/Rt 85 office and industrial developments. The I-70/ Reich Ford Road (near Tilco Condos) interchange improvements are nearly complete. No significant projects are planned to improve access to the other areas with industrial developments.

2.6.1 PUBLIC TRANSPORTATION

Since 2005, Frederick is now served by MARC rail by a spur in the Brunswick line that has a station at 100 South East Street. While this improvement will likely add to the overall economic growth of area, the bus connection does not serve the major industrial centers of the county and will likely not have an in-commute impact.

[13] Frederick County's Master Transportation Plan Adopted December 18, 2001, pg 28 & 29

2.6.2 TRAFFIC COUNTS

Traffic counts near retail properties have a significant impact in bringing customers. When traffic counts are too high, they are a sign of congestion, which may have a negative impact on property values. Many of the buildings in Limited Industrial (LI) zones are showroom/warehouse uses, so at reversion being in an area that is well traveled, and therefore close to populated areas is an advantage.

The subject properties in this study have radically different road usage in the nearby areas. As the map in Appendix C shows, the highest daily traffic counts near Stanford Industrial Park are 15,175 to the north on Rt. 15, and 17,825 to the south on Rt. 15. By contrast, the highest daily traffic counts only a few blocks from Tilco on I-70 are 67,125 westbound and 62,063 eastbound.

2.7 OVERVIEW OF INDUSTRIAL MARKET IN FREDERICK COUNTY

The Frederick Industrial market as shown in the chart below, vacancy peaked at 12.5% in Q1'08[14]. Cumulative absorption is currently at 179,837 square feet for the past year. With vacancy back down to 11.5%, the current conditions are closer to the historic average of 10.2%. In the third quarter of '08, Frederick showed a positive net absorption of 14,053 SF of flex and industrial combined.

[14] CoStar analysis, 10/9/2008

By contrast, the rest of the metro region showed a negative net absorption of nearly 600,000 SF during the same time period[15].

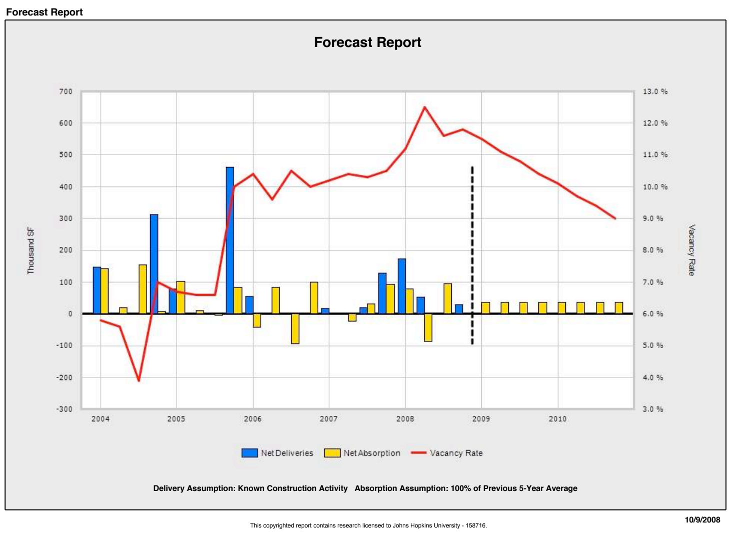


Figure 4

As Figure 4 shows, the recent national economic slowdown has sharply reduced industrial absorption, and driven vacancies up. In the last downturn in leasing, savvy developers converted flex buildings in the pipeline to condos. One of the first developers to succeed with this strategy was Buchanan Partners in their Dulles Center buildings. This was very effective in clearing the development pipeline since at the time condo buyers were still in the market after leasing had slowed. In the recent slowdown, some of the buildings that were built as condos have been put on the market for lease, in addition to

[15] CBRE 3Q08 MarketView-Industrial

reducing sales prices. There is not much evidence that condo sales and leasing are actually counter-cyclical, but it opens up the available space to more options.

2.8 COMPETITION FROM OTHER AREAS

Analysis of several market reports shows that the bulk of the industrial/flex market lies in Montgomery County and Northern Virginia. The CBRE reports in Appendix F show rents in Frederick tend to be about 20-30% lower than those areas, but looking at the long view of vacancy, Frederick usually beats the surrounding areas. As new development opportunities get tighter in those areas, the long-term prospects for industrial growth in the outlying areas should improve. According to the CBRE analysis, Montgomery County currently has no industrial space in its construction pipeline.

The industrial forecast report from CoStar data included in Appendix D, indicates a large spike of deliveries (461,920 SF) in late 2005 and another (172,030) in early 2008. According to this data the, latest spike has driven vacancies above 12%, but is forecast to settle back down to the historical average near 10% in 2010. There is however, a much longer period for lease up of newly available space, with Frederick averaging about 20 months, to 9 months in the rest of the region. CoStar conservatively forecasts industrial absorption at 37,685 SF per year for the foreseeable future, based on historical data averages. If this assumption is correct, the market would not achieve balance in the 10 year hold period proposed, with the nearly half million SF currently in the pipeline.

3 REGIONAL LAND-USE PLANNING GOALS

In 1998 Frederick County approved its comprehensive zoning plan countywide. As part of this plan, the county implemented a process of updates. The next deadline for applications for map amendments is in July of 2009. All of the properties in this study currently have LI zoning and would not be affected by any map amendments.

One factor affecting the long-term supply of LI zoned land in Frederick, is an 150 acre Agricultural Rural zoned parcel north of the Stanford Industrial Park. This parcel has indirect access to route 15 and is 5 miles south of the Ballenger Creek office and industrial parks. There is evidence the contract owner will be seeking a map amendment to change the zoning to LI, and will subsequently apply for rezoning this parcel.

At various times in the last decade, Frederick has sought to limit its growth by enacting building permit and subdivision moratoriums. The County Charter requires the declaration of an emergency for a moratorium, so the reasons given were water shortages, school overcrowding and other infrastructure problems. In the spring of 2008, the Frederick County Commissioners voted to enact a two-year moratorium on homebuilding in the county[16]. This latest emergency stoppage was enacted because the commissioners believed transportation infrastructure not keeping up with growth. This current moratorium does not affect industrial or commercial building permits. There are currently more than 10,000 homes in the construction pipeline that will also not be affected by this moratorium.

3.1 FREDERICK COUNTY LIGHT INDUSTRIAL ZONING

As the zoning maps in Appendix E indicate, the zoning for the subject parcels are LI for Limited Industrial uses. As mentioned earlier, space leased, built or bought for this user would need to have LI zoning. Frederick County has a zoning classification called Office/Research Industrial, but does not have a specific zoning category defining building types for flex space. They only limit the use through the following language from the zoning code.

"The Limited Industrial district (LI) is intended to provide adequate area for development of industrial uses whose operations have a relatively minor nuisance value and provides a healthful operating environment secure from the encroachment of residential uses and protected from adverse effects of incompatible industries[17]."

The tenant, as a manufacturer and assembler of electronic components and devices, their operations fall well within the use and nuisance level restrictions for LI zoning. The flexibility of being able to have a

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[16] Frederick News Post, January 19, 2008
[17] Frederick County Code - Zoning Designation Descriptions Part I Chapter 1-19 Section 239

showroom/warehouse and other popular, flex warehouse configurations would make the LI zoning for potential new users of the building at reversion.

4. MARKET COMPARISONS

Of all industrial buildings in the Frederick market, a sample was taken from the buildings in the 4,000 to 50,000 SF size all with close to 1 parking space to 1K SF and had loading access. These buildings were then used as rent and sale comps. The land comps were selected as similar to the subject.

4.1 LEASE COMPARABLES

The Frederick County Industrial market is currently made up of 87 buildings that had space available through the brokerage community. According to CoStar, and a CBRE report in Appendix F, there is approximately 1.6 million SF (@15.35% Vacancy) available for rent and over 457,000 in the construction pipeline. Of that subset, seven buildings advertising with space available were selected that are most relevant to the subject property. They are highlighted in the grid below and in more detail in Appendix G.

Generally, almost all rents were in a range within $6-9.00. There was no perceptible pattern to correlate higher rents to newer properties or buildings of a specific type of design or amenities. There was one fairly predictable pattern. Rents were higher for buildings with good access to the interstates.

4.1.1. LEASE COMPARABLES GRID (RENTALS)

Lease Comparables				
Comp. #	Parcel Location	Total Available	Lease Rate	Parking Per Thousand SF
Subj.	Tilco Condo	69,600	$7.50	1.00
1	Bristol 4	18,000	$6.75	1.00
2	5633 Cornell	30,000	$7.50	1.00
3	4510 Metrolpolitan Pl	9,800	$8.50	2.00
4	Hughes Ford Road	105,300	$7.50	0.66
5	Wedgewood	10,000	$6.95	2.00
6	3903 Cornell	13,200	$7.50	2.20
7	4840 Winchester Blvd	34,300	$7.75	1.00

4.2. BUILDING SALE COMPARABLES

A summary of eight sale comparables follows with more detail in Appendix G. Unlike the leasing comps, there was a direct connection between age, condition of the building and amenities in the sales price.

4.2.1. SALES COMPARABLES GRID (BUILDINGS)

SUMMARY OF BUILDING SALE COMPARABLES

Comp. #	Parcel Location	Date of Sale	Gross Building Size (SF)	Total Sale Price	Sale Price Per Building SF
1	Tilco Condo	***Nov-07***	8,610	$ 1,136,520	$132.00
2	Industry way	***May-07***	5,180	$ 540,000	$104.25
3	Tech Way	***Jun-05***	56,600	$ 7,000,000	$123.67
4	Metro Ct	***May-05***	2,250	$ 259,000	$115.11
5	Metro Ct	***Mar-06***	32,314	$ 2,780,000	$86.03
6	Pine Av	***Sep-05***	9,100	$ 725,000	$79.67
7	Tyler Pl	***Oct-07***	1,875	$ 230,000	$122.67
8	Carroll Creek	***Feb-08***	4,610	$ 650,000	$141.00
9	Reichs Ford	***May-07***	28,083	$ 4,350,000	$154.90
10	Powell Rd	***Aug-07***	7,120	$ 600,000	$84.27
11	Westview	***Jun-07***	9,925	$ 880,000	$88.66
12	Industry Lane	***Jun-07***	9,748	$ 1,300,000	$133.36
13	Tilco Condo	***Mar-08***	4,350	$ 604,650	$139.00
14	Tilco Condo	***May-08***	4,350	$ 569,850	$131.00
15	Tilco Condo	***Apr-08***	17,040	$ 1,840,320	$108.00
16	Hillmark	***Nov-07***	5,160	$ 837,500	$162.31
				Unadjusted Average:	**$119.26**

4.3. LAND SALES COMPARABLES

There have been eight land sales in the last 36 months that could be considered comparables for assessing the value of lot 34. They are broken down into three pricing bands that reflect the added value of improved access to interstates and transportation routes. Adjustments are shown in Appendix G.

4.3.1. LAND SALES COMPARABLES GRID

SUMMARY OF LOT SALE COMPARABLES

Comp. #	Parcel Location	Date of Sale	Gross Building Size (SF)	Total Sale Price	Sale Price Per Building S
Subject	Stanford Lot 34	***N/A***	8,610	$ 450,000	$2.17
2	Tilco Condo lots	***Feb-06***	5,180	$ 2,049,000	$5.97
3	Reich Ford Rd (pending)	***Nov-08***	56,600	$ 699,000	$11.71
4	Tilco Lot 336	***Aug-08***	2,250	$ 1,300,000	$12.75
5	Tilco Lot 334	***Sep-06***	32,314	$ 850,000	$8.03
6	Wedgewood Lot 16B	***Sep-08***	9,100	$ 530,000	$7.60
7	Wedgewood Lot 21	***Aug-08***	1,875	$ 570,653	$5.98
8	Stanford Lot 36	***Sep-04***	8,610	$ 233,000	$2.05
9	Stanford Lot 28	***Oct-07***	8,610	$ 285,000	$2.12
				Unadjusted Average:	**$7.18**

The lots near Tilco Drive which have excellent access, traded around $6-$13 per square foot of land. The second tier of pricing for lots was in the Ballenger Creek industrial area, which has good access and these lots traded in the $6-$8 range. The lots in the Stanford Industrial Park traded around $2 per square foot of land, likely due in part to the well and septic utilities and largely due to the fact that the access to major interstates is limited.

Due to the steepness of the lot and the expense of the proffers needed for off-site infrastructure, lot 34 should trade for 10-20% less than the other lots in Stamford Industrial Park. The offering price for this lot should be around $400,000. It is currently listed at $450,000.

5. MARKET CONCLUSIONS

Market rent is approximately $7.50, sales price is around $120 per SF and land in Stanford Industrial Park should sell under $ 2 per SF.

DEVELOPMENT ALTERNATIVE

6.1. DEVELOPMENT AND INVESTMENT STRATEGY

The investor believes in and understands the concept of purchasing real estate and adding value through development. The investor is also somewhat predisposed to buying land and building on it for a variety of tangible and intangible reasons, even though the building would be generic and not be particularly user specific. The first choice of location for this investor/user would be on the east side of the city of Frederick. There are a couple of lots listed for sale in this area but they are either too large and therefore too expensive for an 18,000 SF building, or they have amenities that are not necessary to this user and therefore inflate the price. The second choice of locations would be southwest of Frederick in the Ballenger Creek area or the relatively new Stanford Industrial Park. No suitable lot is currently on the market in the Ballenger development, but there are several lots on the market in the Stanford Industrial Park. This fairly new development is located off of Route 15, which is a major access road to Leesburg Virginia and Gettysburg Pennsylvania. It is approximately a 15 minute drive to downtown Frederick as well as the major interstates that connect in and around the city of Frederick. It is however, a two-lane road with many at grade intersections, which makes for a very high traffic load at rush-hour and would negatively affect the employees during their commute.

The most suitable size property is Lot 34 located on Winchester Blvd.. This semi-finished, 4.7 acre lot has all utilities in place but will need significant fill and grading to make a level pad site for an industrial building and parking lot. Due to topography, wetlands and offsite stormwater management, the site could support a 30,000 SF building, but parking would be minimal and there would be no loading access.

6.2. ENTITY ORGANIZATION AND LEGAL ISSUES

For the ownership of the building a single asset legal entity would be created. This will be a Limited Liability Corporation, so that the entity could be easily transferred at sale with the real estate. All stock in the LLC will be held by the investor and any equity partners, a LLC would also allow a single owner of all the stock[18].

6.3 INVESTMENT STRUCTURE

Because the tenant is a small business, also owned by the building investor, Chevy Chase Bank has expressed an interest in cross collateralizing its loan between the business (tenant) and the building ownship entity. The loan would also have personal recourse to the investor. The LLC would contract with the architect, development consultant and general contractor. Upon receipt of

[18] Commercial Real Estate Transactions Handbook, pg 37

the site plan approval and building permit, the LLC would purchase the lot and close on the construction loan. Eventually the LLC would also enter into the lease agreement with the tenant.

6.4. SITE PLAN

The site, Lot 34 in the Stanford Industrial Park, is a semi-finished pad site that has electrical, water and septic on-site. As shown in Appendix H, there is a proffer for storm water management infrastructure that must be installed before construction and paid for by the investor/developer. The general contractor has estimated the cost for this work to be $127,409. DSL high-speed Internet is not available in this area as yet and will not be available for 4-5 years. To compensate for this deficiency the cost delta for a T-1 data connection over DSL for five years is included in the construction budget. This all drives the FAR square cost of this lot even higher, but all together it is lower in total land costs than the other lots on the market.

A proof of concept site plan has been mocked-up from a preliminary grading plan provided by the broker and is in Appendix H. The plan shows a 90 x 220 foot building located on the site as well as the required loading docks and 31 parking spaces.

6.5. BUILDING SCHEMATIC DESIGN

The beauty of tilt up concrete construction is in its simplicity. The buildings are essentially concrete cubes with flat steel roofs. They are constructed by first pouring the slab for the floor of the building, usually with the wall foundations attached. On this slab, forms are assembled which allow the walls to be cast with the floor forming the outer face of the building walls. This is an extremely efficient way of building walls since most of the formwork is provided by the floor and a few workers in a couple of weeks can have the walls completed. Knockout forms are used for any door or window openings and lifting hardware is cast into the walls. On tilt-up day, a crane is brought in to lift the walls into place. They are temporarily braced until the roof can be applied. The typical construction for this type of building includes a roof of steel bar trusses, I-beams and columns with a corrugated steel deck finished watertight with a membrane roof. This type of building provides a long lasting, low-maintenance building that appeals to the investor and the potential buyers at reversion.

The architectural beauty of these buildings is also in their simplicity. Since this would be a design/build by the general contractor, the investor has selected a standard style from the designs that the contractor has previously built. This design was used in the building pictured below. The façade wall has two contrasting colors, 12′ bump-outs which are raised to extend the parapet and the 2 storefront style entrances would be covered by fabric canopies.

6.6. DEVELOPMENT AND CONSTRUCTION SCHEDULE

As the Gantt chart in the Appendix I shows, the entire development and construction timeline will be roughly 12 months. Since there previously has been a site plan approval for this lot for with a 30,000 SF building, the county feels that site plan approval of the new design will be less than the normal two months. With a January start time, the site plan approval, building permit, construction financing and land closing can all occur in March. The contractor conservatively estimates a nine-month construction schedule. This will allow permanent loan closing and occupancy permit in early 2010.

7. PROPERTY MANAGEMENT PLAN

With the unique situation of the tenant having a triple net lease with a investor who also owns the tenant, there are a lot of options for dealing with property management issues. The tenant would have financial responsibility for landscaping, repairs and upgrades but would also have unusual flexibility in how these were accomplished. There might be some savings for the tenant because of their ability to completely control how these tasks are accomplished. There is however, a trade-off when compared to a typical leasing situation with an absentee owner or owning a condo industrial condo unit. Since there will be no common areas with other tenants the maintenance of the entire property will fall on the tenant. This additional area and scope may be offset by being able to shop for the required services or do them in house. Should the investor and tenant decide that they do not want the responsibility of management they could hire a third party property manager. None of these options would have a cost impact to the investor and therefore will not have any affect on the investment analysis.

8. CONSTRUCTION BUDGET

As the construction budget in an Appendix J shows, total construction costs are estimated $1,405,209. Vertical construction for a tilt-up building will run approximately $35 per square foot. The general contractor has indicated that they feel that this price will remain stable throughout 2009 and would be willing to go to contract based on that number. As mentioned earlier, the site has a very steep drop-off which will require over 15,000 ft.^{3} of structural fill in order to make a pad site suitable for this building and parking area. The cost for this grading work will be nearly $300,000. The proffered infrastructure for the offsite storm water management will add an additional $127,000 to the costs. These issues have driven the total hard costs to $71 PSF.

The construction contract would likely be a design/build contract with a Guaranteed Maximum Price, with shared savings split between the contractor and investor.

8.1. DEVELOPMENT BUDGET

The complete development budget is located in Appendix K and shows a total development cost in excess of $2.25 million. This TDC equates to $132 per square foot. A condensed development budget is shown below. The breakdown of costs is: soft costs, 20% hard costs 62% and the land coming in at 18% of total development costs.

SOURCES OF FUNDS	Amount
Construction/Permanent Loan	$1,640,100
Investors Equity	$618,929
TOTAL USES OF FUNDS	$2,259,029
USES OF FUNDS	
Land	$400,000
Total Hard Costs	$1,405,209
Total Soft Costs	$453,820
TOTAL USES OF FUNDS	$2,259,029

9. STAFFING PLAN

The majority of the tasks and responsibility for this project would fall to the development consultant. The consultant would also serve as the investor's representative to the architect/general contractor, but the investor would contract with them directly. Once an in-depth set of parameters and goals has been established with the investor and tenant, the consultant would lead and attend most of the meetings with the architect and builder. The consultant would provide regular updates and reports to the investor.

There will be some additional administrative work that would be supplied by the investor's staff. The investor feels that his administrative staff has ample excess capacity to handle this extra work.

This is somewhat of a contrast to the way a developer/investor or fee developer would staff this type of project. Typically a fee developer would have a project manager that was working on several other projects in different phases of development in addition to a project of this size and would be supervised by a senior executive or partner of the firm. This project manager would also have access to help from various administrative and support staff within the firm.

9.1. ORGANIZATION CHART

The organization chart below shows both the flow of information and the contractual arrangements between the parties involved in this project. Information and responsibilities are shown in blue and the contractual agreements are shown in red. Because of the unique situation where the investor and tenant are different entities but interdependent and closely related, the lender would also require financial information from the tenant. The corollary to this in a spec development would be where the lender would want to see a credit tenant in place in order to make the final commitment on the lending facilities.

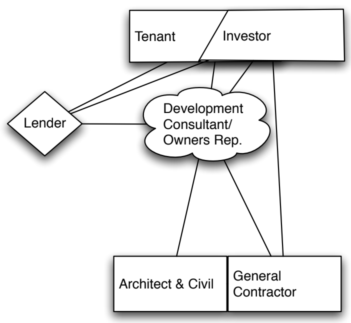

Figure 5

10. INCOME & EXPENSE FORECAST

A detailed cash flow model was created to assess income and expenses. Rent was set at the market rate determined in the leasing comps study at $7.50 a square foot. Since the tenant is captive, the building is considered preleased with zero vacancy throughout the ownership term. This will be a triple net lease so all expenses will be passed on to the tenant.

10.1. FINANCING AND INVESTMENT PRO-FORMA

A local bank has provided a term sheet for the construction and permanent financing of this building. The permanent loan terms would be a 10 year loan, with 30 year amortization and a 70% loan to cost ratio. The interest-rate was quoted at 6 month LIBOR +350 bps. The bank also indicated that with cross collateralization with the business and recourse they would issue a 90% LTV loan with the same rate in terms.

This information was added to the cash flow model and the formulas were put in place to determine the internal rate of return, based on assumptions of a ten-year hold, 7% cost of sale and tax rates at 15% capital gain and 28% tax on ordinary income.

10.2. SALES REVERSION

Since this the investment analysis is based on a ten-year hold period, a critical factor is the sales price at the end of that hold. In the recent "hot market" rates for investment grade properties in the region dropped to 7% and below[19]. Due to this properties size and outer suburb location, it would not traditionally be considered investment-grade and there is no indication that the market in 2018 will be as hot as it was in 2007. However due to the size and configuration, this property at reversion would be attractive to another owner/user, who will typically pay a premium over what an investor might pay for the same property. There is a non-tangible explanation for this based on rent security, tax benefits and "pride of ownership" but on the pro-forma side, an owner user typically assumes no vacancy or credit loss for the space.

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[19] Integra Reality Resources, 2008 Real Estate Trends,

There were only two of the settled comps that had sufficient information available to determine their cap rate. Both were at 7.5%. Because of the importance of this factor in the reversion value, two appraisers were also asked what cap rate they typically found in their analysis and they indicated a historic rate between 8-10%. As a final check, a rate was synthesized by applying the average NNN rent of $7.50 to the total square footage of the sample, a cap rate of 5.63% was indicated. The date range of the comps was May of ’05 to May of ’08.

Total Sample SF	*206,315*
Aggregate Value	*$24,302,840*
Assuming Average Vacancy of 11.5%	
And Average Rent of $7.50 /SF	
Estimated NOI Would be	*$1,369,416*
Estimated Cap Rate would be	*5.63%*

This is not a reliable method with this small of a sample, but it shows that the cap rate might have been at very low levels in the past few years, even in secondary markets like Frederick County. The average building size was 14,000 SF, so it may also indicate that owner/users will pay a premium. Since the reversion on this property is ten years out, using conservative, historic rates is more prudent. Sensitivity analysis runs were based on 8, 9 and 10% terminal cap rates.

10.3. IRR & NPV analysis

A cash flow model has been set up to determine After-Tax Internal Rates of Return. The base case for these sensitivity tests was a Total Development Cost of nearly $2.2 million, market rents at $7.50 a square foot and a loan with 30 year amortization, 70% LTV, and an interest rate of 7.33%. Terminal Cap Rates were modeled at 8, 9 and 10% and the full results are shown in Appendix L. A conservative, but historically reasonable 9% Cap rate is shown in the grid. The other assumptions are also shown in Appendix L. With these assumptions the investment indicated a paltry 5.66% after-tax IRR.

10.4. SENSITIVITY GRID

Several parameters were changed to test the sensitivity of lot purchase price, rent, loan interest-rate, loan to value ratio and amortization. These tests showed a range of the after-tax IRR to be 4.58- 6.53%. As shown in the table below, the largest impact to IRR is from increasing rent to $7.80. The tested parameter is in red.

Lot Price, Rent and Financing Sensitivity

	Lot Purchase Price	Rent/SF	Loan Int. Rate	LTV	Amort	After Tax IRR @ 9% Cap Rate
Baseline	$400,000	$7.50	7.33	70	30	5.58%
1	$400,000	$7.80	7.33	70	30	6.53%
2	$400,000	$7.20	7.33	70	30	4.58%
3	$400,000	$7.50	8.00	70	30	4.96%
4	$400,000	$7.50	7.33	90	30	5.85%
5	$400,000	$7.50	7.33	70	25	5.59%
6	$350,000	$7.50	7.33	70	30	6.18%
7	$325,000	$7.50	7.33	70	30	6.50%

11. DEVELOPMENT INVESTMENT SUMMARY

Scrutiny of these potential returns gives a valuable insight. When the LTV ratio is increased to 90%, IRR improves only slightly. Similarly, when amortization is reduced to 25 years, IRR stays steady. The likely explanation for this is, the bank at 7.33%, is earning more than the equity investor is. While the investor’s opportunity cost of capital is relatively low, when viewed in this light, the returns don't seem to be worth the additional risk involved in development.

Even with the rents bumped up to well above market rents, to $8.00 per SF and the lot purchase price reduced to $325,000, the investment still only shows a modest internal rate of return of 8.1%.

BUYING INDUSTRIAL CONDO ALTERNATIVE

12. BUILDINGS AVAILABLE FOR SALE ANALYSIS

There are a wide variety of industrial use properties currently being marketed for sale in Frederick County. These listings range from a converted ice rink in Woodsboro for $38 SF, to a building with a fenced parking lot and storage yard on Church Street in the city of Frederick for $208 per SF. Both buildings are over 50 years old. The middle range is populated with buildings and condos in the $110-$130 per square foot range, and several are new construction. For several months the investor has been looking at the new construction condos on Tilco Drive. The broker's sales brochure is in Appendix M.

Tilco Drive is a loop road in a small industrial park of approximately 30 buildings located off of Reich's Ford Road. The predominant zoning is Limited Industrial with some M-1 Commercial on the major intersections. The primary advantage to this location is its access to the interstates. It is three turns and 1.7 miles to Route 70 East, Baltimore. Interstate 270 is 2.7 miles and approximately ten minutes away. Downtown Frederick is seven minutes away and only 2.4 miles.

These buildings are subdivided in 4,100 to 4,350 SF condo units. The broker has them listed at $130 per square foot but has suggested to the investor that a deal was likely at $110 per square foot. Of the 30 units in the building, only

9 have been sold. The project has been on the market for over a year and completed since July, ’08.

They are located south of Frederick Municipal Airport and Frederick County Fairgrounds and Route 144. It also lies south of I-70, the interstate highway that connects Frederick with Baltimore. The investor considers the location to be the best for the tenants needs of all the areas with Limited Industrial zoning and buildings available.

13. ENTITY ORGANIZATION AND INVESTMENT STRUCTURE

As with the build scenario, ownership of the building would be through a single asset Limited Liability Corporation. The bank would still want cross collateralization and personal recourse from the investor. This entity would contract for purchase of the building, get the financing and sign the lease with the tenant.

14. OWNERSHIP COST ANALYSIS

There would not be major differences in ownership costs from the build scenario. The condo fees may be less for the Common Area Maintenance due to economies of scale and owning a smaller lot, shared amenities and proportionally less landscaping requirements. But as with the other costs, all this would be passed on to the tenant and would have no effect on the investor’s cash flow.

14.1. INCOME & EXPENSE FORECAST

Once again a detailed cash flow model was created, to assess income and expenses. The same rent of $7.50 a square foot and zero vacancy were used to model income. Since this will also be a triple net lease situation, with the same investor and a similar building, all other income and expense assumptions and parameters are the same as the build scenario.

14.2. FINANCING AND INVESTMENT PRO-FORMA

A local bank has provided a term sheet for the purchase of these condo units. The terms would be a 10 year loan, with 30 year amortization and a 70% loan to value ratio. The interest-rate was quoted at six-month LIBOR +350 bps. The bank also indicated that with cross collateralization with the business and recourse they would issue a 90% LTV loan with the same rate in terms.

This information was added to the cash flow model and the formulas were put in place to determine the internal rate of return, based on assumptions of a ten-year hold, 7% cost of sale and tax rates at 15% capital gain and 28% tax on income.

14.3. IRR & NPV ANALYSIS

A cash flow model has been set up to determine After-Tax Internal Rates of Return. The base case for these sensitivity tests was a purchase price of $110 per square foot, market rents at $7.50 a square foot and a loan with 30 year amortization, 70% LTV, and an interest rate of 7.33%, all the same as in the Build Alternative. Terminal Cap Rates we modeled at 8, 9 and 10% and the results are shown in Appendix N. Once again, a conservative, but historically reasonable 9% is shown in the grid. With these assumptions the investment indicated a 6.20% after-tax IRR.

14.4. SENSITIVITY GRID

Price, Rent and Financing Sensitivity

	Purchase Price/ SF	Rent/SF	Loan Int. Rate	LTV	Amort	After Tax IRR @ 9% Cap Rate
Baseline	$110.00	$7.50	7.33	70	30	6.20%
1	$110.00	$7.80	7.33	70	30	7.44%
2	$110.00	$7.20	7.33	70	30	4.88%
3	$110.00	$7.50	8.00	70	30	5.22%
4	$110.00	$7.50	7.33	90	30	7.73%
5	$110.00	$7.50	7.33	70	25	6.18%
6	$130.00	$7.50	7.33	70	30	1.46%
7	$100.00	$7.50	7.33	70	30	10.49%

RENTAL OF EXISTING PROPERTY ALTERNATIVE

15. PROPERTIES AVAILABLE FOR LEASE ANALYSIS

Costar currently shows 86 properties available for lease in the appropriate size range and Frederick County. As the chart below shows, there are several suitable properties with rents in the $7-$8 range.

Lease Comparables

Comp. #	Parcel Location	Total Available	Lease Rate	Parking Per Thousand SF
Subj.	Tilco Condo	69,600	$7.50	1.00
1	Bristol 4	18,000	$6.75	1.00
2	5633 Cornell	30,000	$7.50	1.00
3	4510 Metrolpolitan Pl	9,800	$8.50	2.00
4	Hughes Ford Road	105,300	$7.50	0.66
5	Wedgewood	10,000	$6.95	2.00
6	3903 Cornell	13,200	$7.50	2.20
7	4840 Winchester Blvd	34,300	$7.75	1.00

15.1 LEASE COST ANALYSIS

The rent analysis in section 3.3 above shows that $7.50 per square foot rent is the current market average. Recently the developers of the Tilco Condos have placed those units on the lease market at $7.50 per square foot. Since the investor has been looking at these properties to buy as a condo, these units would likely be the preferred choice of leased space for the investor and tenant.

The total costs of leasing the space at $7.50 per SF, escalated at 3% which is the same as the escalation used in the build and buy pro-formas.

Using the same 10-year hold, the total rent would be $1,451,409. This would be the same cost to the tenant as purchasing the same units as condos.

16. INTERIOR BUILD-OUT OR TENANT IMPROVEMENTS (TI)

As with the other scenarios, all of the tenant improvements were excluded from this analysis. Whether a property is built, bought or leased there would be nearly identical tenant improvements done to the property. There is one difference that should be noted however. In a situation like this where the tenant would be leasing space from a third party, cost of tenant improvements could be amortized into the lease.

17. ALTERNATIVE INVESTMENT IRR & NPV ANALYSIS

Typically the risk free return benchmark is the 6 month T-Bill or the 6 month CD. Per the Fed, 6 month T-Bill's are currently returning 0.81%[20] . As of early November, Chevy Chase is advertising CD's at 4.10 yield. The investor currently has the equity that would be used in these deals in CD's. If the lease scenario were chosen, REIT stock would be purchased, which the investor feels would have pre-tax yields of roughly 9% over a 10 year hold period.

[20] http://www.federalreserve.gov/releases/h15/update/

INVESTMENT CONCLUSION – BUILD, BUY OR LEASE

Given the parameters in this study used, building on lot 34 in Stanford Industrial Park would require an investment of nearly $1 million cash and the after-tax IRR would only be 5.66%. Buying one of the condos on Tilco Drive, would require only a $584,000 cash investment, would have significantly less risk than the build scenario, but would yield an even lower after-tax IRR of 5.22%.

Clearly the best of the three options would be to rent a building and invest the equity that would be used to build or buy into a moderately high risk, high yield investment, where the after-tax yield would be approximately 8.25%.

The investment conclusion in these scenarios is pretty clear. The tenant under this scenario is not a disinterested party their needs would be served fairly equally in all cases. From a return on investment standpoint, leasing the space and investing the cash is the best option of these three.

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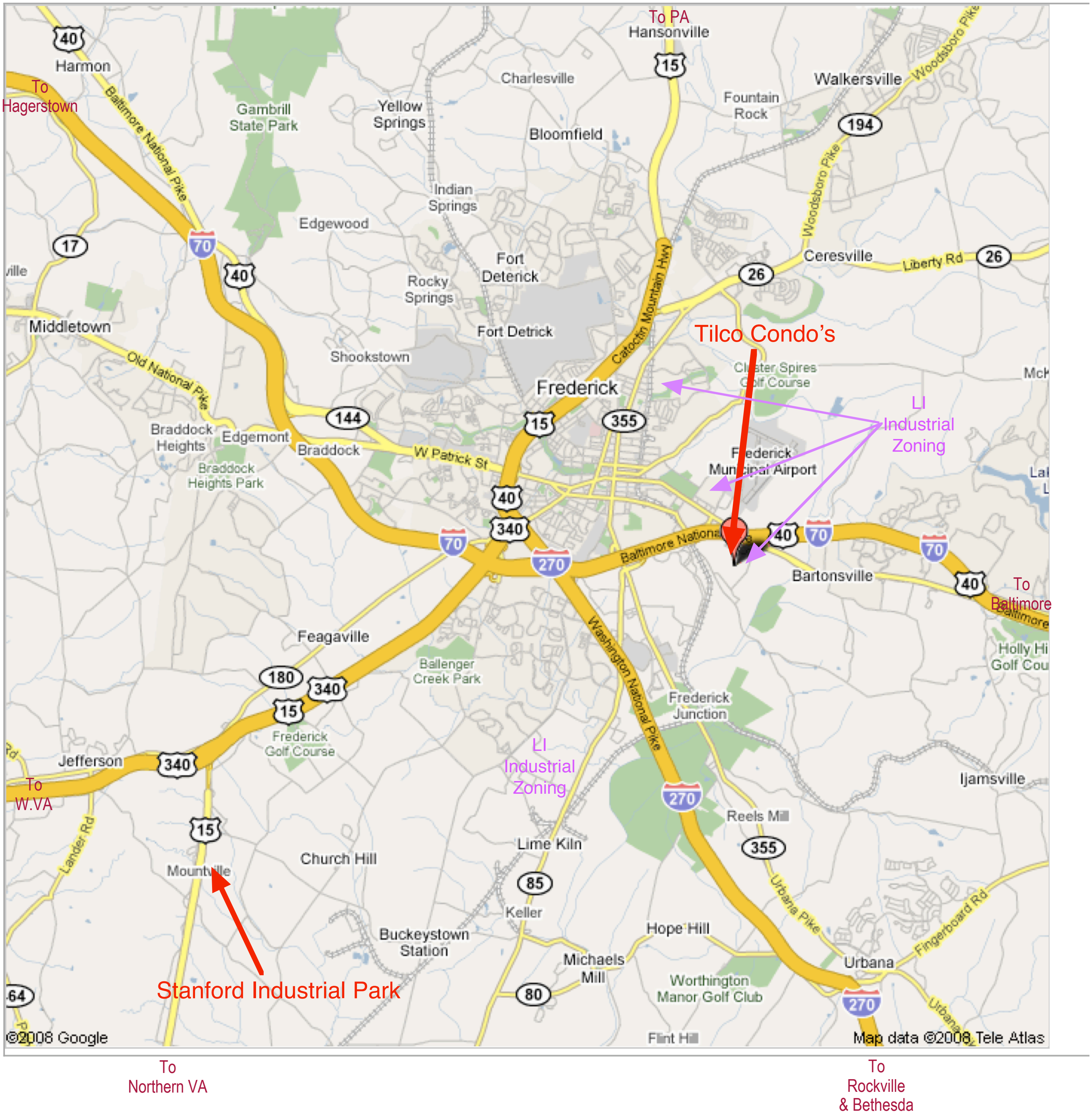
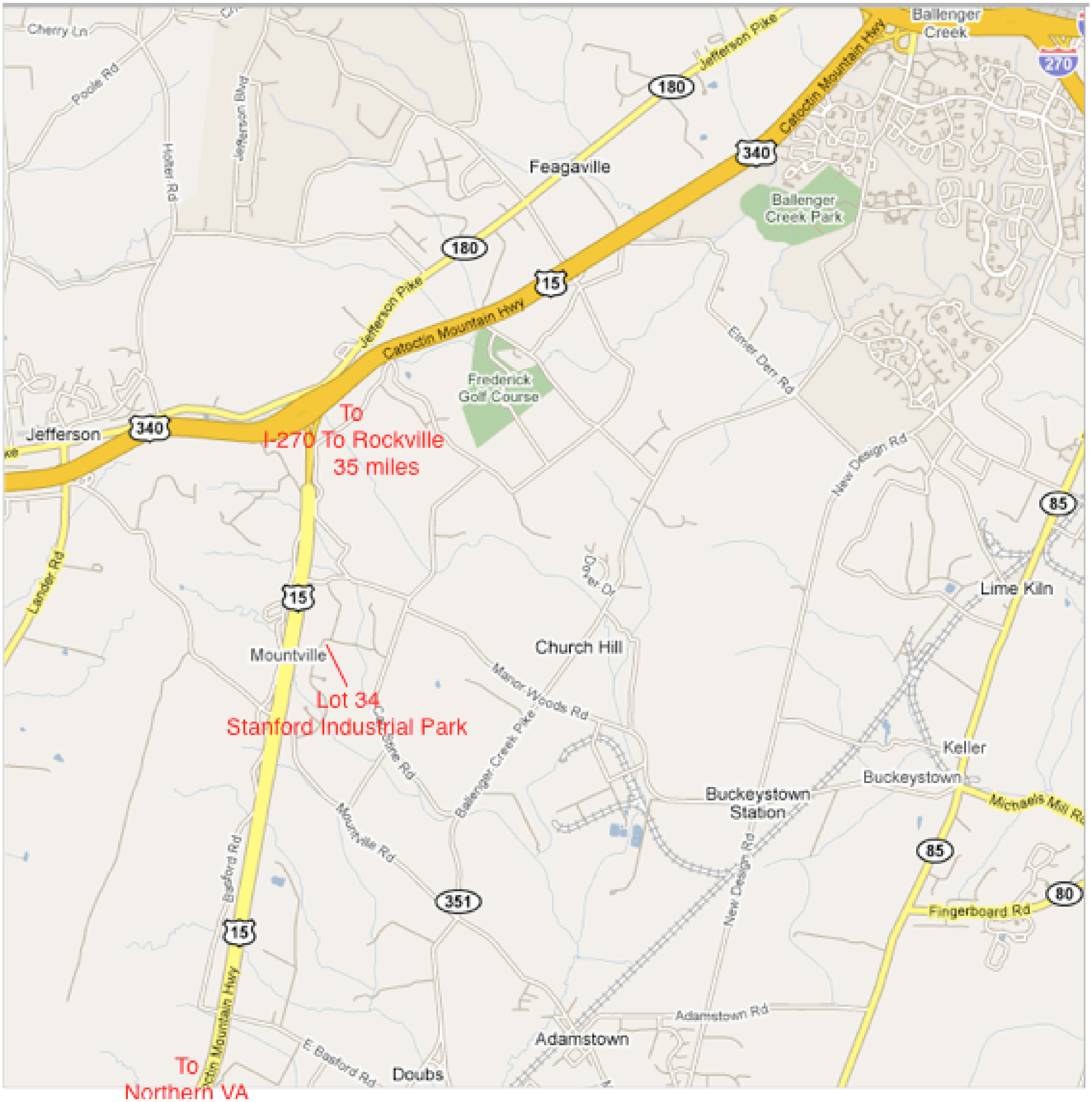
APPENDIX A

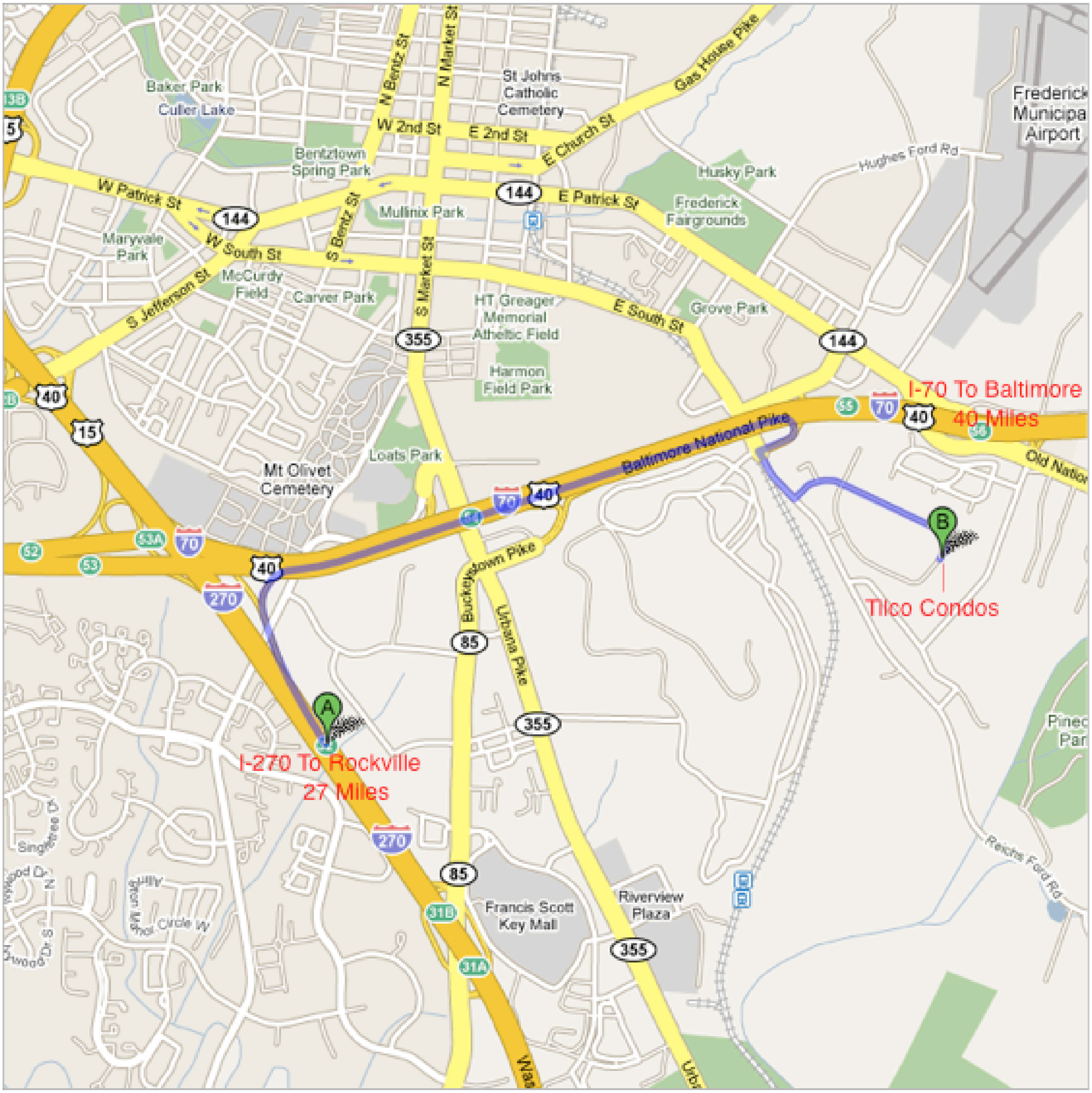
LOCATION MAPS



To PA
Hansonville
To Hagerstown
Tilco Condo's
LI
Industrial
Zoning
To Baltimore
To W.VA
Stanford Industrial Park
Frederick
Middletown
Walkersville
Ijamsville
Urbana
Jefferson
Buckeystown Station
©2008 Google
Map data ©2008 Tele Atlas
To
Northern VA
To
Rockville
& Bethesda



To
I-270 To Rockville
35 miles
Lot 34
Stanford Industrial Park
To
Northern VA
Jefferson
Feagaville
Ballenger Creek
Ballenger Creek Park
Frederick Golf Course
Mountville
Church Hill
Lime Kiln
Keller
Buckeystown
Buckeystown Station
Adamstown
Doubs
Catoctin Mountain Hwy
Jefferson Pike
Manor Woods Rd
Mountville Rd
Ballenger Creek Pike
New Design Rd
Elmer Derr Rd
Adamstown Rd
Fingerboard Rd
Michaels Mill Rd
E Basford Rd
Basford Rd
Lander Rd
Poole Rd
Holter Rd
Jefferson Blvd
Cherry Ln
Dover Dr


I-70 To Baltimore
40 Miles
Tlico Condos
I-270 To Rockville
27 Miles

APPENDIX B

INDUSTRIAL BUILDING CLASSIFICATIONS

Typical Industrial Building Characteristics

The following matrix illustrates the primary considerations for determining the appropriate classification of an **Industrial Building** as **Manufacturing, Warehouse** or **Flex.**

	Building Type					
Primary Type	Manufacturing	Warehouse			Flex	
			Distribution			
Sub-type/ Special Purpose	General Purpose	General Purpose Warehouse	General Purpose Distribution	Truck Terminal	General Purpose Flex	Service Center/ Showroom
Size (sf)	Any	50k+	50k+	20k+	20k+	<150k
Clear Height (ft)	10+	16+	16+	12-16	10-18	15-25
Loading Docks	Yes	Yes	Yes	Cross-dock	Yes	Yes
Door-to-Square-Foot Ratio	Varies	1:5k-15k	1:3k-10k	1:500-5k	1:5k-15k+	1:10k
Office Percentage	<20%	<15%	<20%	<10%	25-100%	30-40%
Divisibility (Smallest suite – sf)	Varies	15k+	50k+	10k+	5k+	2k+
Curb Appeal	Low	Low	Low	Low	High	High
Automobile Parking Ratio	Varies	Low	Low	Varies	High	High
Primary Use	Manufacturing	Storage, Distribution	Distribution	Truck Trans-shipment	R&D, Storage, Office, Lab, Retail, Light Manufacturing	Showroom, Storage, Light Manufacturing
Sub-Sets	Heavy, Light Manufacturing	Bulk Warehouse, Cold/Refrigerator Storage, Freezer Storage, High-Cube, Self Storage, Bonded	Overnight Delivery Services, Air Cargo		Garden Office, Incubator, Tech	Shallow-Bay

Note: This matrix is intended to be an aid in classifying properties between the principal Industrial Building types, subject to the following considerations:

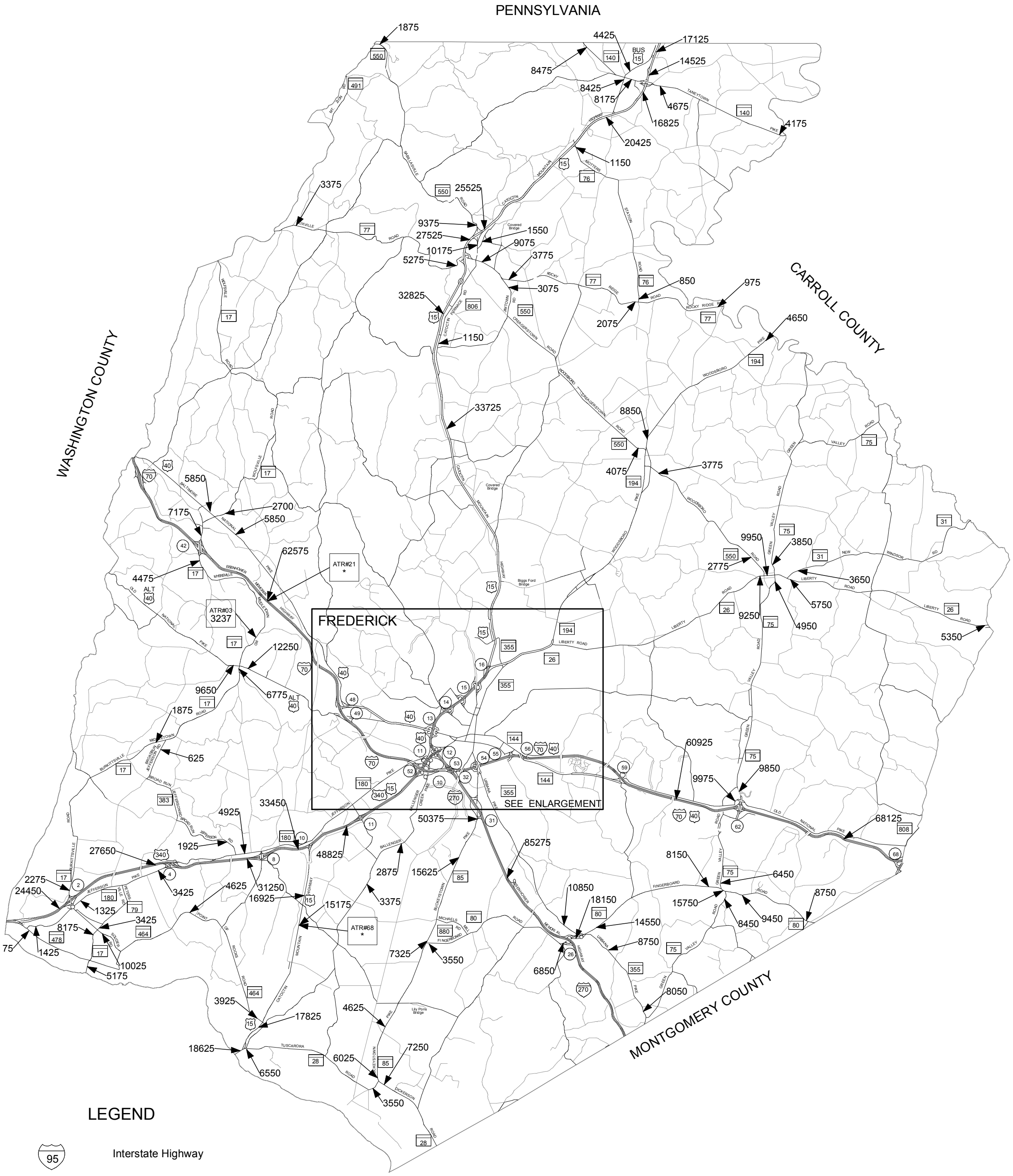
- These are intended to be TYPICAL characteristics of different properties, but actual characteristics may vary.
- In classifying properties, the user should select the classification which most closely fits a given property.
- The most important characteristics of each type are highlighted. While these characteristics are not "acid tests," they should guide the user in most instances.

Industrial Building A facility in which the space is used primarily for research, development, service, production, storage or distribution of goods and which may also include some office space. Industrial buildings are further divided into three primary classifications: **manufacturing**, **warehouse** and **flex** buildings. Typical characteristics of the different types of Industrial Buildings are shown in the matrix. Buildings must exhibit more than one of the characteristics but need not exhibit *all* characteristics to be considered under a specific classification.

Manufacturing Building[5] A facility used for the conversion, fabrication and/or assembly of raw or partly wrought materials into products/goods. Typical characteristics are shown in the matrix.

APPENDIX C

TRAFFIC MAP



LEGEND

95	Interstate Highway
1	US Highway
8	State Highway
ATR#42 56329	Permanent Traffic Counter Location
ATR#42 *	Permanent Traffic Counter With No Data Available
TOLL#08 12345	Toll Station Location

The information in these maps is provided as a public service by the Maryland State Highway Administration (MSHA).

NOTICE:

Traffic Count Figures are estimates. The traffic count estimates are derived by taking 48 hour machine count data and applying factors from permanent count stations.

Restriction of Liability: SHA makes no claims, promises or guarantees about the accuracy, completeness, or adequacy of the contents of these maps and expressly disclaims liability for any errors and omissions in the contents of these documents.

FREDERICK COUNTY TRAFFIC VOLUME MAP 2005

ANNUAL AVERAGE DAILY TRAFFIC

Prepared by the

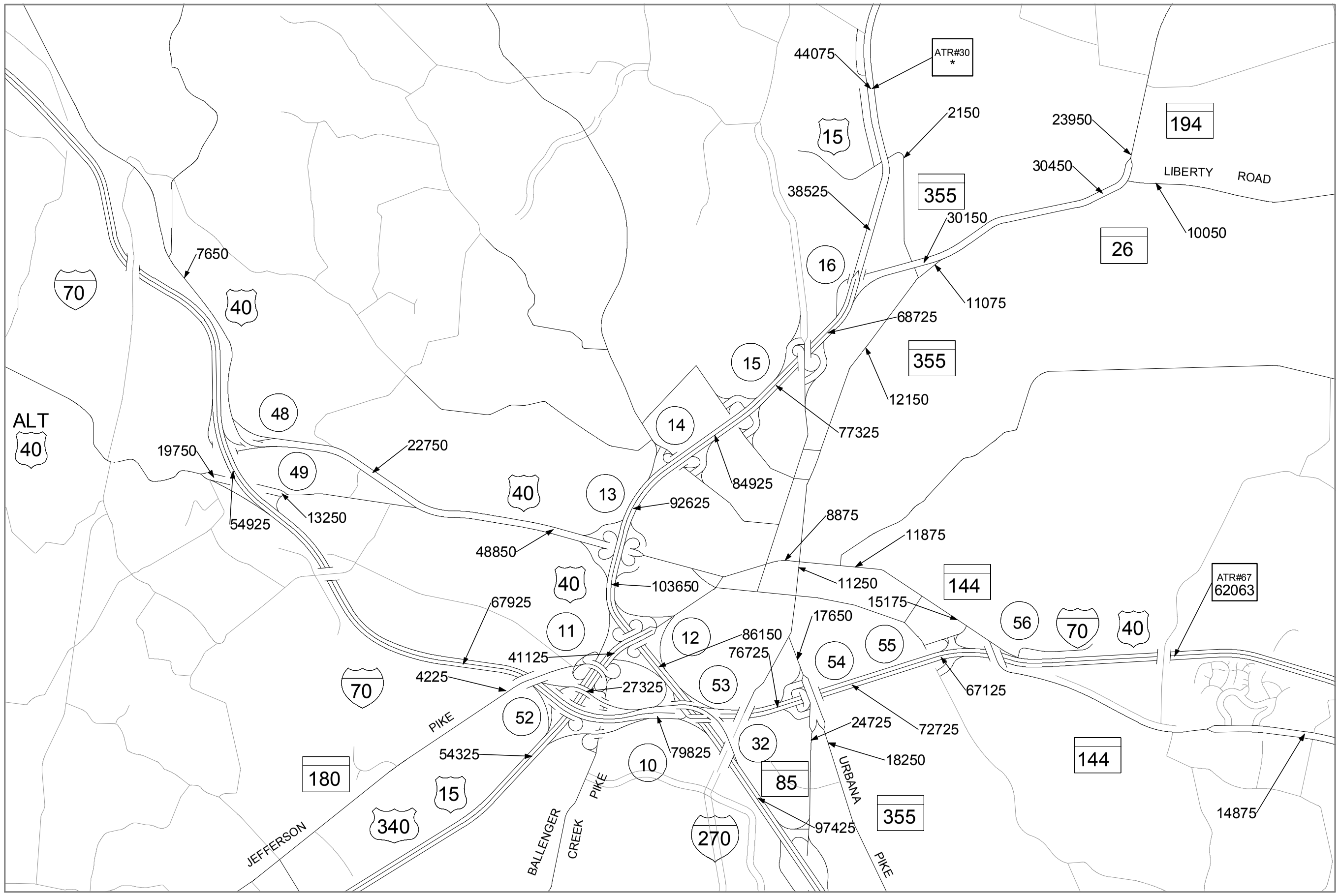
Maryland Department of Transportation

STATE HIGHWAY ADMINISTRATION

HIGHWAY INFORMATION SERVICES DIVISION

0 1 2 3 4 Miles

Published Date: 03-01-2006



FREDERICK

LEGEND

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1	US Highway
8	State Highway
ATR#42 56329	Permanent Traffic Counter Location
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The traffic count estimates are derived by taking 48 hour machine count data and applying factors from permanent count stations.

Restriction of Liability:
SHA makes no claims, promises or guarantees about the accuracy, completeness, or adequacy of the contents of these maps and expressly disclaims liability for any errors and omissions in the contents of these documents.

N

FREDERICK COUNTY
ENLARGEMENT
TRAFFIC VOLUME MAP
2005
ANNUAL AVERAGE DAILY TRAFFIC
Prepared by the
Maryland Department of Transportation
STATE HIGHWAY ADMINISTRATION
HIGHWAY INFORMATION SERVICES DIVISION

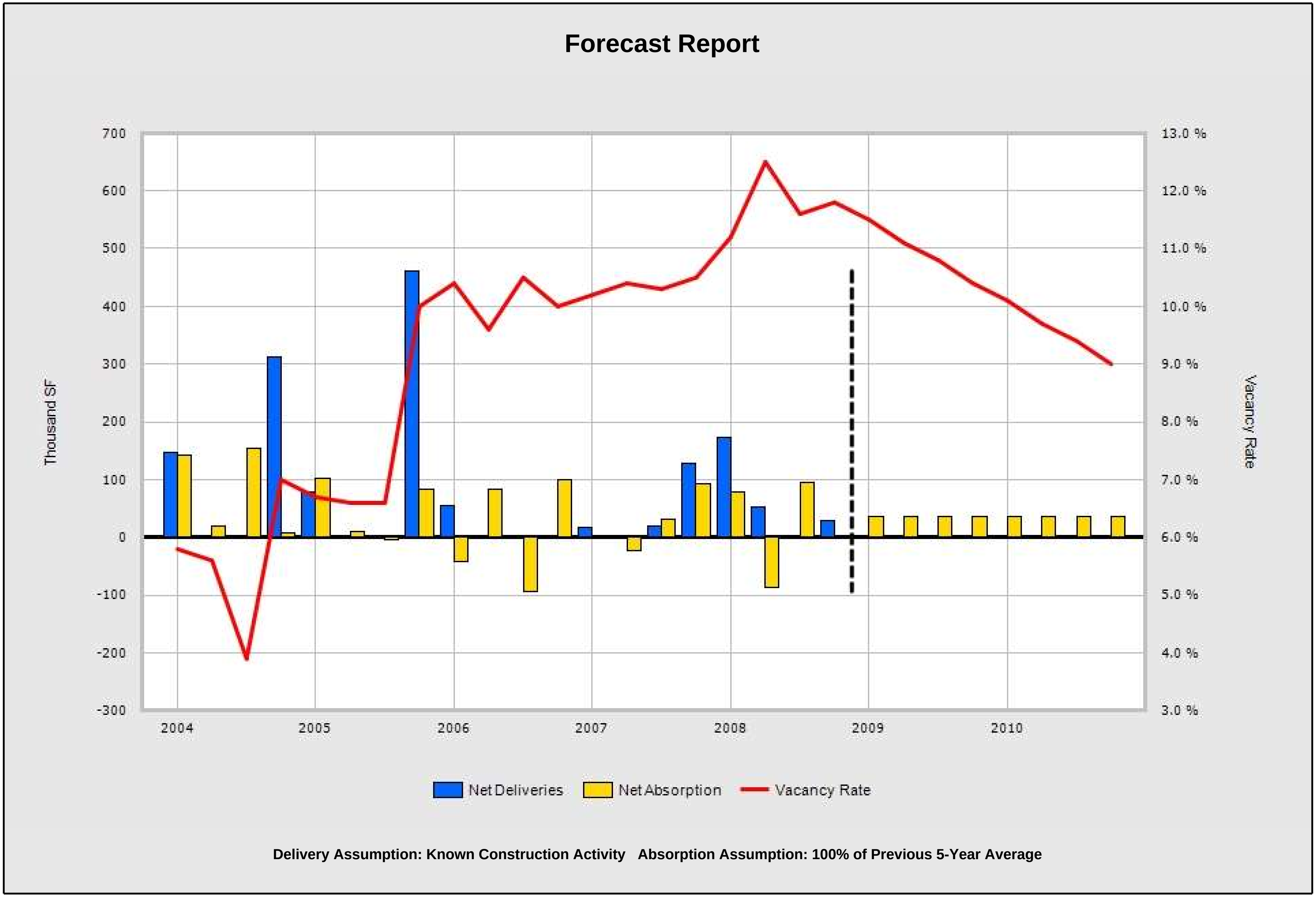
0 0.5 1 1.5 2 Miles

Published Date: 03-01-2006

10A

APPENDIX D

VACANCY & ABSORPTION


Forecast Report
700
600
500
400
300
200
100
0
-100
-200
-300
Thousand SF
13.0 %
12.0 %
11.0 %
10.0 %
9.0 %
8.0 %
7.0 %
6.0 %
5.0 %
4.0 %
3.0 %
Vacancy Rate
2004
2005
2006
2007
2008
2009
2010
Net Deliveries
Net Absorption
Vacancy Rate
Delivery Assumption: Known Construction Activity Absorption Assumption: 100% of Previous 5-Year Average

10/9/2008

Forecast Report

Period	# of Deliveries	Rolling 2-yr Average Deliveries (SF)	Future Deliveries (SF)	Demolished (SF)	Net Deliveries (SF)	Rolling 2-yr Net Absorption (SF)	Net Absorption (SF)	RBA	Vacant Space (SF)	Vacancy Rate
2010 Q4	0	0	0	0	0	37,685	37,685	10,608,992	954,725	9%
2010 Q3	0	3,750	0	0	0	33,116	37,685	10,608,992	992,410	9.4%
2010 Q2	0	3,750	0	0	0	40,277	37,685	10,608,992	1,030,095	9.7%
2010 Q1	0	10,483	0	0	0	24,604	37,685	10,608,992	1,067,780	10.1%
2009 Q4	0	31,987	0	0	0	29,765	37,685	10,608,992	1,105,465	10.4%
2009 Q3	0	48,063	0	0	0	36,753	37,685	10,608,992	1,143,150	10.8%
2009 Q2	0	50,463	0	0	0	35,968	37,685	10,608,992	1,180,835	11.1%
2009 Q1	0	50,463	0	0	0	28,329	37,685	10,608,992	1,218,520	11.5%
Current Qtr	1	52,463	30,000	0	30,000	23,414	1,131	10,608,992	1,256,205	11.8%
2008 Q3	0	48,713	0	0	0	35,846	94,972	10,578,992	1,227,336	11.6%
2008 Q2	4	48,713	53,865	0	53,865	12,303	-87,693	10,578,992	1,322,308	12.5%
2008 Q1	1	41,980	172,030	0	172,030	33,727	78,968	10,525,127	1,180,750	11.2%
2007 Q4	1	27,476	128,610	0	128,610	18,414	93,590	10,353,097	1,087,688	10.5%
2007 Q3	2	69,140	19,200	0	19,200	17,290	31,406	10,224,487	1,052,668	10.3%
2007 Q2	0	66,740	0	0	0	12,874	-23,429	10,205,287	1,064,874	10.4%
2007 Q1	1	66,740	16,000	0	16,000	17,193	-1,635	10,205,287	1,041,445	10.2%
2006 Q4	0	74,731	0	0	0	30,338	100,587	10,189,287	1,023,810	10%
2006 Q3	0	113,844	0	0	0	18,770	-93,372	10,133,287	1,068,397	10.5%
2006 Q2	0	113,844	0	0	0	49,665	83,700	10,133,287	975,025	9.6%
2006 Q1	1	113,844	56,000	0	56,000	41,644	-43,535	10,133,287	1,058,725	10.4%
2005 Q4	3	125,094	461,920	0	461,920	64,876	84,598	10,133,287	1,015,190	10%
2005 Q3	0	67,354	0	0	0	64,206	-3,921	9,671,367	637,868	6.6%
2005 Q2	0	67,354	0	0	0	83,696	11,124	9,671,367	633,947	6.6%
2005 Q1	2	67,354	79,928	0	79,928	101,177	103,523	9,671,367	645,071	6.7%
2004 Q4	3	57,362	312,900	0	312,900	69,516	8,046	9,591,439	668,666	7%
2004 Q3	0	18,250	0	0	0	70,183	153,785	9,278,539	363,812	3.9%
2004 Q2	0	18,250	0	0	0	36,325	19,530	9,278,539	517,597	5.6%

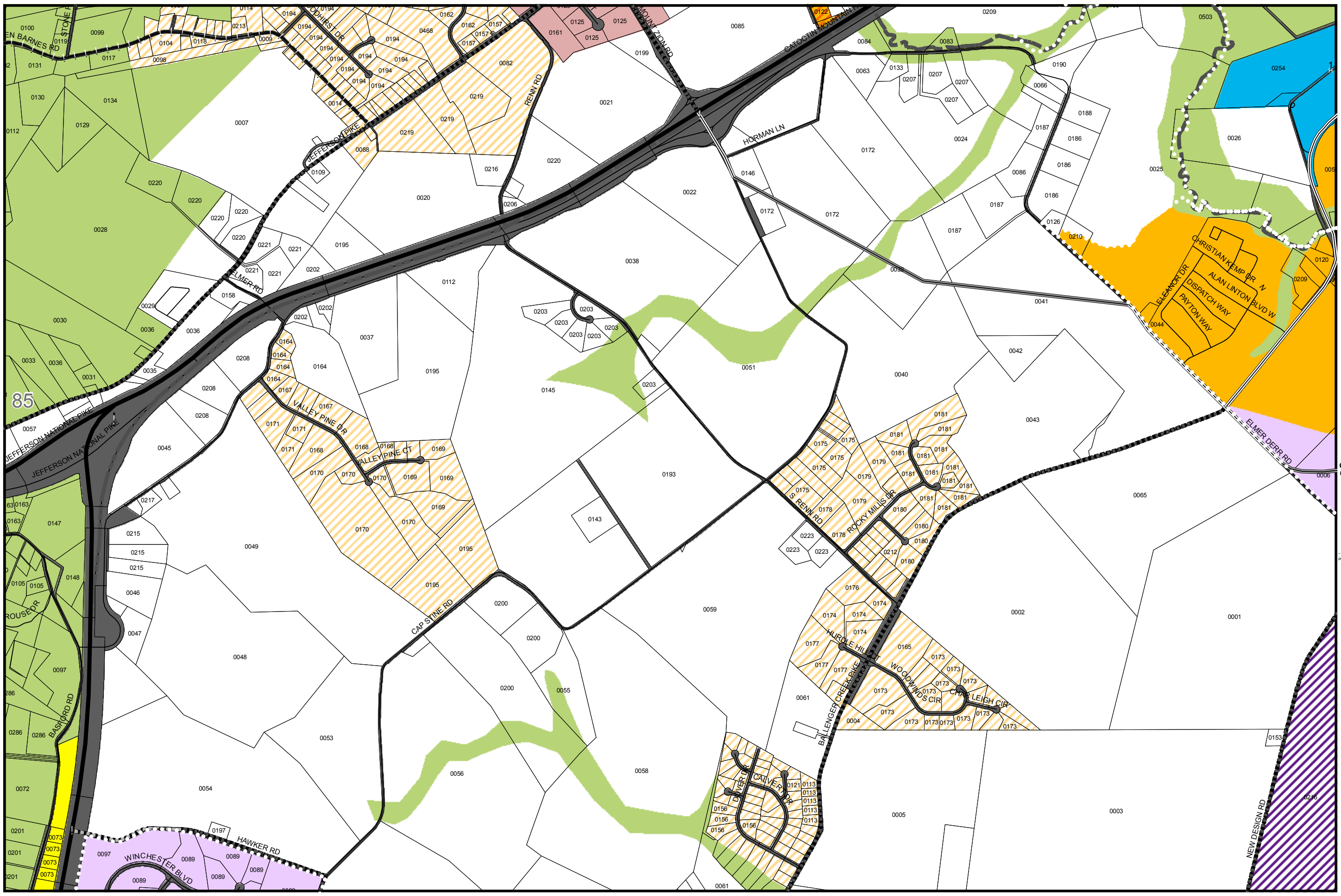
Forecast Report

Period	# of Deliveries	Rolling 2-yr Average Deliveries (SF)	Future Deliveries (SF)	Demolished (SF)	Net Deliveries (SF)	Rolling 2-yr Net Absorption (SF)	Net Absorption (SF)	RBA	Vacant Space (SF)	Vacancy Rate
2004 Q1	1	18,250	146,000	0	146,000	33,721	142,319	9,278,539	537,127	5.8%

Delivery Assumption: Known Construction Activity   Absorption Assumption: 100% of Previous 5-Year Average

APPENDIX E

ZONING MAP



Comprehensive Land Use Plan

0 300 600
Feet

- Agricultural / Rural
- Resource Conservation
- Public / Quasi Public Park or Open Space
- Rural Subdivision
- Rural Neighborhood
- Rural Hamlet
- Rural Community
- Low Density Residential
- Medium Density Residential
- High Density Residential
- Village Center
- Highway Service / Commercial
- Commercial / Rural
- General Commercial
- Limited Industrial
- Office / Research Industrial
- General Industrial
- Mineral Mining
- Institutional
- Municipality
- Community Growth Area Boundary

Community Facilities*

Existing / Proposed

Schools: Elementary (E), Middle (M), High (H), Special (S)

Parks: Community (C), District (D), Regional (R), Special (S)

Fire Station (F), Landfill (LF), Library (L), Police Station (P), Transit Station (T)

* The symbols for proposed community facilities are not fixed on the specific properties, but identify appropriate general locations.

Highways

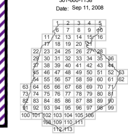
Existing / Proposed

- Freeway / Expressway
- Major Arterial
- Major Collector
- Minor Arterial
- Collector
- Transit Easement
- Interchanges

This map is intended for general planning purposes only and is not intended for site specific analysis. While efforts have been made to ensure the accuracy of this map, Frederick County recognizes that inaccuracies may exist and accepts no responsibility for positional inaccuracies, errors, or omissions. Reliance on the data presented on this map is at the risk of the user. This map is for illustration purposes only and should not be used for surveying, engineering, or site-specific analysis.

The Countywide Comprehensive Land Use Plan Map reflects the 8 different adopted Region Plans. These individual Region Plans were adopted from 1998 to 2008. For more information please consult The Frederick County Division of Planning
2nd Floor Winchester Hall, 12 East Church Street
Frederick, MD 21701.
301-600-1138

Date: Sep 11, 2008



Tax Map 85

Comprehensive Land Use Plan

0 300 600 Feet

Agricultural / Rural
Resource Conservation
Public / Quasi Public Park or Open Space
Rural Subdivision
Rural Neighborhood
Rural Hamlet
Rural Community
Low Density Residential
Medium Density Residential
High Density Residential
Village Center
Highway Service / Commercial
Commercial / Rural
General Commercial
Limited Industrial
Office / Research Industrial
General Industrial
Mineral Mining
Institutional
Municipality
Community Growth Area Boundary

Community Facilities*

Existing	Proposed	
1	o	Schools Elementary (E) Middle (M) High (H) Special (S)
		Parks Community (C) District (D) Regional (R) Special (S)
		Fire Station (F) Landfill (LF) Library (L) Police Station (P) Transit Station (T)

* The symbols for proposed community facilities are not fixed on the specific properties, but identify appropriate general locations.

Highways

Existing **Proposed**

Freeway / Expressway
Major Arterial
Major Collector
Minor Arterial
Collector
Transit Easement
Interchanges

This map is intended for general planning purposes only and is not intended for site specific analysis. While efforts have been made to ensure the accuracy of this map, Frederick County recognizes that inaccuracies may exist and accepts no responsibility for positional inaccuracies, errors, or omissions. Reliance on the data presented on this map is at the risk of the user. This map is for illustration purposes only and should not be used for surveying, engineering, or site-specific analysis.

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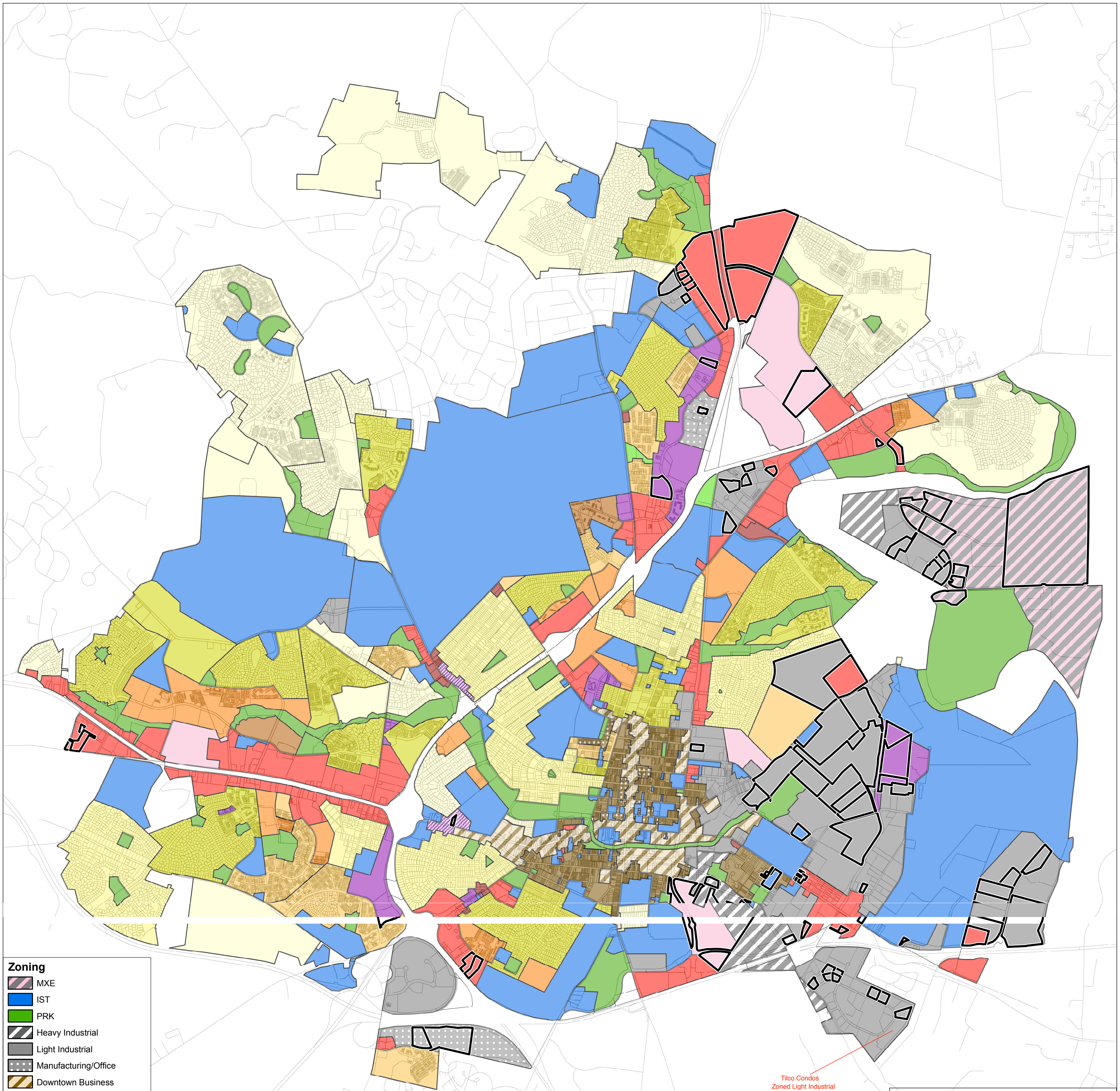
Date: Sep 11, 2008

Tax Map 94

Unimproved Commercial and Industrial Lots



Zoning

- MXE
- IST
- PRK
- Heavy Industrial
- Light Industrial
- Manufacturing/Office
- Downtown Business
- Downtown Business Office
- Downtown Residential
- General Commercial
- Mixed Use
- Neighborhood Commercial
- Professional Business
- Residential 4 units per acre
- R-6
- Residential 8 units per acre
- Residential 12 units per acre
- Residential 16 units per acre
- Residential 20 units per acre
- Residential Office
- Resource Conservation

Legend

- Unimproved Property*
- Parcels
- Roads

* An unimproved property is a parcel that has $0 for improved property on the Maryland Department of Assessment and Taxation Propertyview layer.

Zoning	Acreage
GC	204.01
IST	9.24
M1	422.11
M2	4.02
MO	28.29
MU	147.98
MXE	224.17
PB	47.09
RO	0.52
	1087.43

Prepared by the City of Frederick Geographic Information System

Path Name: G:/Data

City of Frederick GIS

0 0.4 0.8 1.2 1.6 Miles

Note: This map is prepared solely for the purpose of illustrating the City of Frederick. It should be used for no other purpose. Data on this map was prepared from several original sources and is subject to change as source data changes. This map is not a legal document.

Sources: Maryland Departments of Assessments and Taxation

TFS 02/27/07

APPENDIX F

MARKET REPORTS

MarketView
Suburban Maryland Industrial

Third Quarter 2008

Quick Stats

	Current	Change from last Yr.	Change from last Qtr.
Vacancy	10.4%	↑	↑
Lease Rates	$9.22	↓	↓
Net Absorption*	(604,349)	↓	↓
Construction	.582M	↓	↓

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- Tenant activity in the 10,000 to 30,000 square foot range has shown movement. However, larger tenants are currently in a holding pattern.
- Activity in newer product has been consistent.
- Industrial sales have significantly dropped due to the weak economy and the current credit crisis.
- Development activity has slowed significantly due to supply exceeding demand

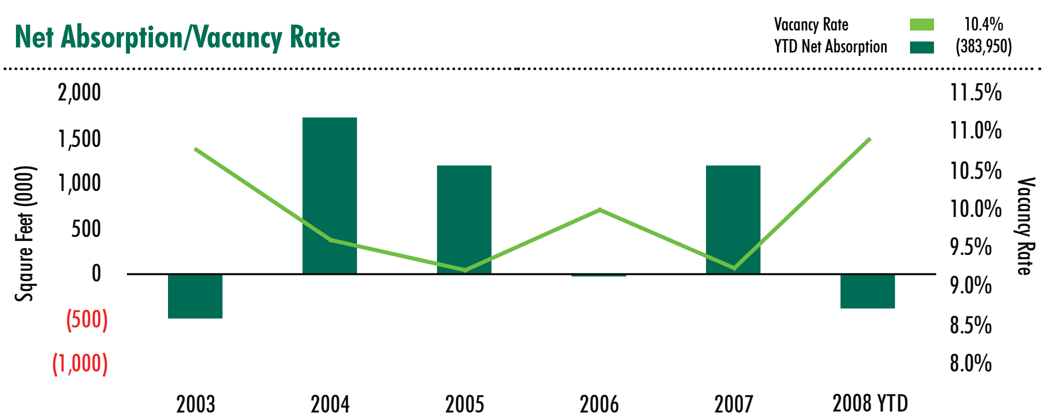
After a strong second quarter, the Suburban Maryland industrial market slowed over the third quarter. With slower demand in the area, net absorption was negative for only the second time in the past seven quarters. Slow leasing activity, several renewals and large blocks of newly vacated space put downward pressure on absorption. Just over 600,000 square feet returned to the market bringing the year-to-date total to 383,950 square feet of negative net absorption, and erasing all gains made earlier in the year.

Many of the leases signed during the quarter were in the 10,000 to 30,000 square foot range, which was lower than normal as larger tenants remained in a holding pattern. With an uncertain economy, more blocks of space could return to the market, which will continue to increase vacancy rates.

While leasing activity has slowed down, industrial sales have seen a major decrease in volume with the current financial situation. During the third quarter, only one warehouse building was sold at 400 Commerce Drive in Gaithersburg. With mortgage companies struggling, loans are difficult to obtain for these properties and should continue to affect the sales market into 2009.

Newer industrial buildings are seeing more leasing activity over the older products on the market. With better efficiency and newer technology, tenants are more attracted to these buildings, increasing vacancy in the older products. However, as older buildings are usually $1.00 to $1.50 cheaper per square foot to lease and tenants are looking to save money, tenants could become more focused on the value offered by older buildings in the future.

Net Absorption/Vacancy Rate

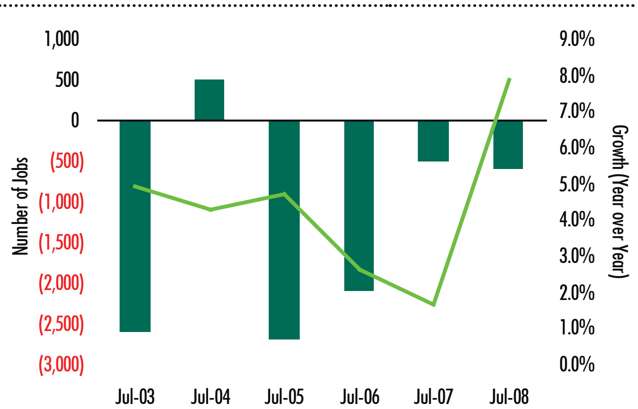


CBRE CB RICHARD ELLIS

Market Statistics

Jurisdiction	Inventory	Vacancy Rate %	3Q Net Absorption SF	Under Construction SF	Average Asking Lease Rate ($ SF/YR)	Availability Rate %
Frederick	10, 575, 898	15,35%	14,053	456,750	$9.67	17.3%
Montgomery	24,550,339	8.04%	(124,648)	-	$14.83	10.2%
Price George's	50,671,566	10.51%	(493,754)	125,878	$7.18	13.6%
Suburban Maryland	**85,797,803**	**10.40%**	**(604,349)**	**582,628**	**$9.22**	**13.1%**

Economic Growth



With the struggles of the national economy, the Suburban Maryland industrial market has felt the impact of continuing job losses. Industrial-using jobs have declined by 600 over the past year and this market has lost jobs every year for the past four. Since July of 2004, there are 5,900 fewer industrial-using jobs in the area. The sector seeing the biggest decline is manufacturing. With technological advances and struggling housing and retail markets, labor-intensive manufacturing jobs have been dropping for several years, according to the Bureau of Labor Statistics, and should continue to do so in the current weak economy. Both the transportation sector and wholesale trade sector remained flat with no growth over the past year. Expect these trends to continue into 2009.

New Construction

During the third quarter of 2008, seven buildings, totaling 368,707 square feet, delivered to the market bringing the year-to-date total to just under 1.3 million square feet of new space. In Frederick County, four warehouse buildings on International Boulevard were completed bringing 53,865 square feet of new vacant space. Prince George's County had one flex and two warehouse buildings totaling 314,842 square feet of finished construction. The flex building in The Brickyard development was preleased by Party Rental, LTD for 82,112 square feet. Three more buildings in The Brickyard remain under construction and should deliver by the end of the year. Also under construction are two flex buildings at the McKinney Business Center in Frederick that will also be completed during the fourth quarter.

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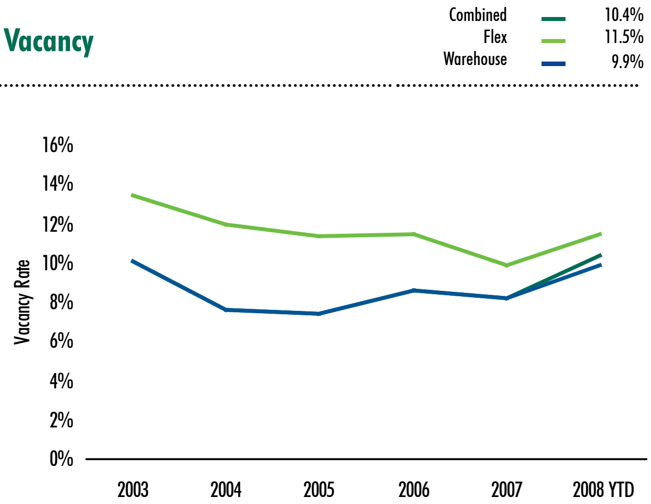
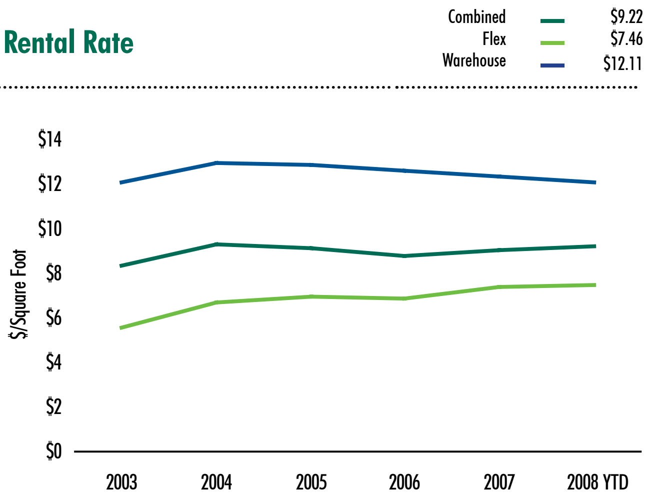
Vacancy



The Suburban Maryland industrial market saw decreased leasing activity and larger move-outs during the quarter. This, along with several vacant buildings being delivered to the market led the vacancy rate to increase from 9.2% during the second quarter to 10.4%. This is the first time the vacancy rate has been over 10 percent since the second quarter of 2006.

Both the warehouse and flex sectors saw increases in overall vacancy. Warehouse jumped from 8.3% to 9.9% over the third quarter mainly due to Circuit City leaving a 393,440 square foot distribution center, while flex increased from 10.9% to 11.5% over the same period. With more vacant buildings scheduled to deliver and companies continuing to downsize into smaller blocks of space, overall vacancy is expected to rise into 2009.

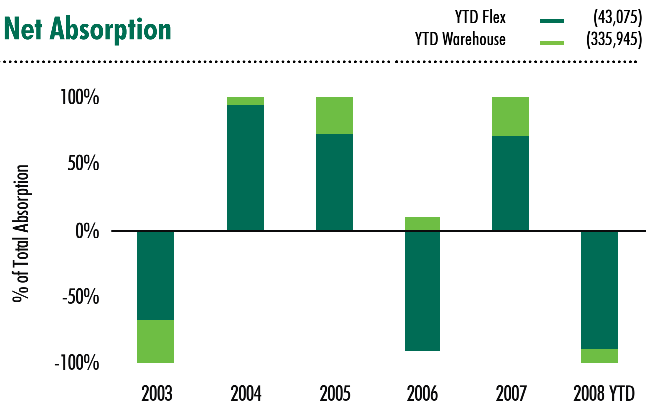
Rental Rate



The overall asking rate increased from $8.96 to $9.26 per square foot on a triple net basis during the third quarter. Rates in Montgomery County rose to $14.83 from $14.24 during the second quarter, while the asking rate in Prince George's County increased from $6.85 to $7.19. After strong leasing activity last quarter, asking rents were increased throughout the area.

While the combined asking rate increased, flex asking rates actually decreased to $12.11 per square foot from $12.25 during the second quarter. With demand remaining low for flex space, rates have steadily decreased throughout the year and should continue into 2009. With most of the leasing activity occurring in the warehouse sector, landlords have pushed rental rates with the average asking rate increasing from $6.99 to $7.49 per square foot during the third quarter.

Net Absorption



The Suburban Maryland industrial market gave back 604,349 square feet of space during the third quarter. A majority of this space came from the warehouse sector, recording 561,274 square feet of negative absorption, while the flex sector put 43,075 square feet back for lease. Prince George's County experienced the most space given back, totaling 493,754 square feet. Larger tenants vacating space included Circuit City leaving a 393,440-square-foot distribution center at 14301 Mattawoman Drive in Brandywine/PG South, and Victory Van Corporation downsizing 82,744 square feet to 142,074 square feet in Branch Avenue. With the retail market struggling and sales falling during the weak economy, a large tenant such as Circuit City was forced to shut down one of its warehouse distribution centers.

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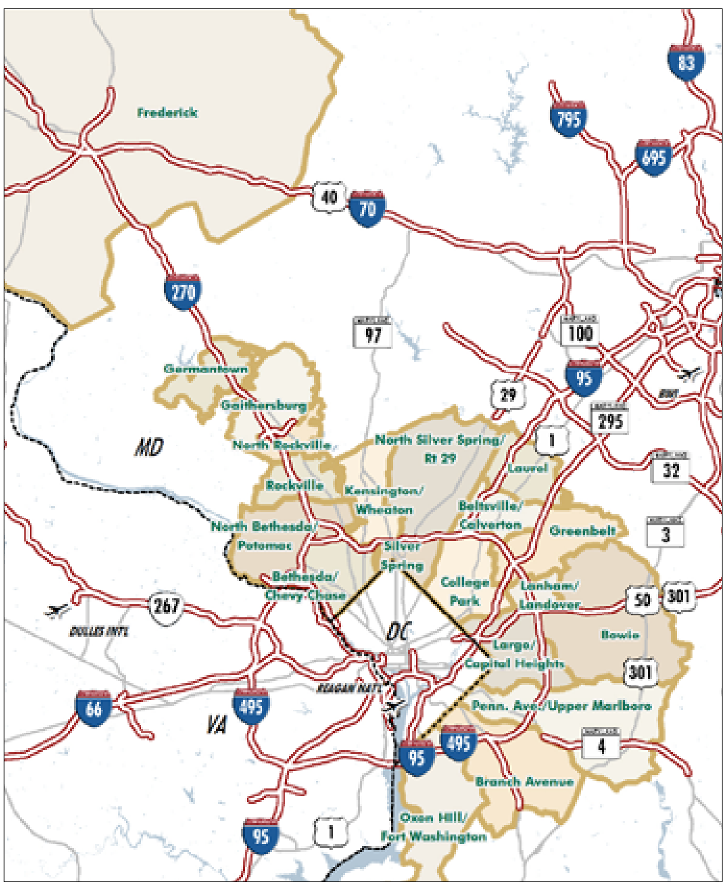
Top Lease Transactions

Size (Sq. Ft.)	Tenant	Address
120,000	Iron Mountain*	4451 Georgia Pacific Boulevard
96,515	DPI Mid Atlantic	15850 Commerce Court
23,600	Cornerstone Equipment Management	1739 Brightseat Road
18,120	United Sheet Metal	1739 Brightseat Road
18,000	Create Tivo	7901 Trading Lane

*Prelease

Submarket Map



Average Asking Lease Rate
Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Net Leases
Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage
Includes all competitive office buildings 10,000 square feet and greater in size.

Net Absorption
The change in occupied square feet from one period to the next.

Net Rentable Area
The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

Occupied Area (Square Feet)
Building area not considered vacant.

Under Construction
Buildings which have begun construction as evidenced by site excavation or foundation work.

Available Area (Square Feet)
Available Building Area which is either physically vacant or occupied.

Availability Rate
Available Square Feet divided by the Net Rentable Area.

Vacant Area (Square Feet)
Existing Building Area which is physically vacant or immediately available.

Vacancy Rate
Vacant Building Feet divided by the Net Rentable Area.

Normalization
Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

For more information regarding the MarketView, please contact:
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CB Richard Ellis
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Washington, DC 20001-4516
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marianne.swearingen@cbre.com

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Economy Office Industrial Retail Multifamily

Economy: Third Quarter 2008

Economic Growth Cools -- But Remains Well Ahead of the Nation

Prepared with the invaluable assistance of Dr. Stephen Fuller

The Washington area economy continued to grow jobs at 66% of its long term average rate -- 35,400 jobs in the 12 months ending in July -- compared to a long term average of 53,400 per annum. With a low unemployment rate and one of the strongest economic bases, the metro area remains one of the top economic centers in the nation. Among major metro areas, only the oil-patch communities of Dallas and Houston exceeded Washington in job growth.

Payroll employment increased 35,400 in the Washington metro area over the 12 months ending July 2008, ranking 3rd among large metro areas in the nation. This pace of growth, compared to the 15-year average of 53,400 per annum, feels like a significant slow down, especially after growth levels of 55,000 to 60,000 in 2003-2006. But it is sturdy enough to support a healthy commercial real estate market if production of new space is held in check.

The Washington area **unemployment rate** ticked up 90 basis points during the past year to 4.1% in July 2008. The Washington metro area has the lowest unemployment rate among comparable metros and compares favorably to the national rate of 5.7% in July 2008.

The Washington area's **gross regional product** (GRP) was $367.9 billion in 2007, an increase of 5.6% from revised 2006 figures. We expect the GRP to grow 2.5% in 2008.

We expect the Washington metro area economy to make modest gains in 2008, as the aftermath of the Credit Crunch continues to unfold. Although we expect growth to slow this year, we anticipate modestly improving conditions in 2009, with healthier progress in 2010 as the economy regains its footing.

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Office: Third Quarter 2008

Metro Area Market Remains a Top National Performer; Vacancy Inches Up and Rents Flatten

Net absorption, improved from the first half of the year, is still below the long-term average. With a large pipeline of development, vacancy increased and rent growth halted. Although annualized groundbreakings have eased compared to 2007, they remain high, particularly in the District. Despite softening conditions, the metro area remains one of the top performing markets in the nation.

Third Quarter 2008 Market Highlights:

- **Net absorption:** 1.4 million SF, compared to the long-term quarterly average of 2.0 million SF.

- **Sublease space:** Increased by 12,000 SF. Sublease space represents 1.2% of the standing inventory.
- **Overall vacancy rate:** 10.1%, up from 8.6% one year ago.
- **Direct vacancy rate:** 8.9%, up from 7.4% one year ago.
- **Space under construction:** 18.3 million SF, unchanged from one year ago.
- **Pre-lease rate:** 23%, compared to 24% a year ago.
- **Rents:** Up 0.2% YTD, compared to rising 2.2% in all of 2007.
- **Investment sales:** $2.9 billion YTD, compared to $10.6 billion YTD in 2007. Average sale price: $412/SF.

To view and/or download a sample report in an Adobe Acrobat PDF file, **click here**.

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Flex/Industrial: Mid-Year 2008

Market Conditions Moderate; Vacancy Rises; Rent Growth Minimal

The Washington/Baltimore flex/industrial market experienced slowing conditions during the first half of 2008, after closing 2007 on strong footing. Although demand was steady during the past six months, it was not enough to keep up with tenants vacating space. Given this, rent growth moderated. The amount in the construction pipeline is easing, which allowed demand to catch up with the new supply – as reflected in the rise in the pre-lease rate. Overall, flex/industrial conditions are stable in the Washington/Baltimore region, as conditions are easing off of the robust part of the cycle.

First Half 2008 Market Highlights:

- **Net absorption:** 1.9 million SF, compared to 6.6 million SF in 2007.
- **Sublease space:** Declined by 466,000 SF. Available sublease space represents just 0.6% of standing inventory.
- **Overall vacancy rate:** 9.8%, up from 9.6% one year ago.
- **Direct vacancy rate:** 9.2%, up from 9.0% one year ago.
- **Under construction:** 5.1 million SF, down from 7.0 million SF one year ago. 27% pre-leased, compared to 19% one year ago.
- **Space delivered:** 3.9 million SF at mid-year 2008, compared to 6.4 million SF in 2007. 20% of space delivered at mid-year 2008 was leased upon delivery, compared to 27% in 2007.
- **Rents:** Up 0.4%, when annualized, compared to rising 2.8% in 2007.
- **Investment sales:** $407 million, compared to $1.5 billion in 2007. Average sales price: $111/SF.
- **Land Sales:** $9.0 million, compared to $149.7 million in 2007. Average price per land SF: $8.16.

To view and/or download a sample report in an Adobe Acrobat PDF file, **click here**.

Top of Page

Retail: Spring 2008

Washington Retail Market

Retail job growth has slowed in the metro area as consumer spending has declined due to the economic slowdown. However, Washington retail remains sturdy as retail jobs grew at 0.1% in the metro area over the past year, compared to a decline of 0.7% nationally.

Incomes in the Washington metro area grew by 21.5% from 2000 to 2007, compared to 17.8% nationally. Compensation in the metro area has risen at a faster pace compared to other areas, as high-level positions are difficult to fill with qualified candidates due to a low unemployment rate; this has prompted companies to use high salaries as a lure. By 2012, the Washington metro area's average household income is projected to be $110,300, compared to $73,700 nationally.

The Washington metro area has over 116.0 million SF of retail space, inclusive of all types of retail, in just over 1,000 shopping centers. Northern Virginia is home to 52% of the total metro retail inventory.

The metro area has 24.3 SF of retail space per capita, compared to the national average of 20.0. The area remains underserved as the growing population continues to demand retail services, particularly in the District of Columbia where there is just 8.7 SF of retail space per capita.

Just over half of the Washington area shopping centers are over 25 years old, while only 16% are aged 10 years or less. Although new retail projects have entered the market, older centers remain the bulk of retail space. New centers, along with renovations to the existing stock, are necessary to keep up with demand. However, renovations might be slow to progress, given the long-term strength of the retail market. Owners might be reluctant to contribute capital when returns are solid with or without renovations. This should start to shift as new centers deliver and customers are lured by updated product and a new mix of retail.

According to NCREIF's Washington area retail data, the average total investment return for the 12 months ending in December 2007 was 19.30%, exceeding the national average of 13.51%. Washington's strong market fundamentals and high disposable income have positioned local returns ahead of the national average, and those of most other metro areas.

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Class A Apartments: Third Quarter 2008

Washington Absorption Sets New Record as Rents Continue Upward and Pipeline Declines. Occupancy Remains High, Transaction Volume Muted.

Highlights of market performance as of Third Quarter 2008:

- The region's **stabilized vacancy rate** for investment grade apartments (Class A and B) increased to 3.0% from 2.7% a year ago. With the national rate of 6.0%, this is one of the lowest vacancy rates of any metro area in the nation. But it is an elevated rate by local historic standards.
- **Rent increases** over the past 12 months for all investment grade product remained below the long-term average of 4.5% per annum – at 2.9% since September 2007. Class A rents grew by 1.1% during this period, compared to a decline of -0.8% at third quarter 2007.
- Annual **net absorption**, at 7,583 Class A and B apartments, continued to strengthen, from its slow down in late 2006 to mid 2007. Annual Class A absorption continued its upward climb to 6,872 units – 1st in the U.S. and the highest we have ever recorded for the Washington metro. Average monthly absorption at new projects declined slightly to 15 units per month. However this rate is still remarkable, as the number of projects marketing has increased by over 50% since last year.
- **Concessions** at Class A projects continued to move higher, to 4.3% of face rent, compared to third quarter 2007, which were 3.6% of face rent. This upward trend began in the first quarter of 2007.
- **Pipeline**: After rising from a historically low 18,000 units in 2005, pipeline ballooned to 36,951 units in December 2007, largely driven by the reversion of condominium projects. In the first quarter of 2008, the pipeline appears to have begun its cyclical decline, and has continued downward to 29,322 as of third quarter 2008. We will likely look back at 4th quarter 2007 as the peak of apartment pipeline during this business cycle.
- **Investment Sales:** 2008 is significantly off the pace of prior record setting years. So far in 2008, we note $850.71 million of multifamily Class A building sales closed (comprising 9 garden apartment and 2 high-rises, and $126 million of land to construct new apartments). The sales volume compares to $1.26 billion through the third quarter of 2007. The land sale total is off dramatically from the $486 million recorded through the third quarter of 2007. This is a potential indicator of a slow-down in the pipeline of oncoming supply in future years.

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Condominium: Third Quarter 2008

Condo Prices Holding Up Better Than Singles As Pipeline Continues to Shrink. Net Sales Volume Disappoints. Fannie/Freddie Takeover Results in Lower Interest Rates.

New condo construction hs come to a halt. Continued sales and reversion of projects to rental have driven the condo pipeline to its lowest level since 2004. This bodes well for market equilibrium in select submarkets as early as late 2009.

Highlights of market performance as of Third Quarter 2008:

- **Volume:** New unit sales volume (defined as net binding contracts written with security deposits up) during the 3rd quarter was 262 units, half the amount of units sold in the prior quarter..
- **Prices:** While holding up much better than the single-family market, condo prices have dropped. Effective new condo prices were down 3.6% metro-wide from a year ago with bigger declines in Suburban Maryland. Resale prices declined by 8.1% during the past 12 months.
- **Concessions:** Concessions averaged 4.2% of the purchase price in the 3rd quarter, up 70 basis points from the 2nd quarter but down slightly from one year ago.
- **Pipeline:** There are currently 11,955 unsold condominium units that are actively marketing in the metro area. There now is 8.2 years worth of inventory of product on the market at current rates of sales velocity in the metro area. Most of Suburban Maryland is less than the metro average.
- **Sales pace:** Projects that have sold out in the past two years have averaged about four sales per month. No significant projects entered the market this quarter. Upon delivery, projects are seeing buyers fail to settle -- back out of sales contracts -- from 15% to 50%, or higher in a few cases.

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Class B Apartments: Third Quarter 2008

Rents Continue To Rise, Vacancy Edges Down. Suburban Maryland Performs Best.

Class B apartment rents are up and vacancy rates down year-over-year.

- Average rent rates increased to $1,366, up 5.2% from a year ago.
- Vacancy decreased by 40 basis points to 2.9% during the same period.

Value-Added Strategy: Renovation

Opportunities continue for renovating existing B and C grade properties. In our view, these opportunities can be the most profitable where the rent spread is widest between Class A and Class B (or Class C) rents. Owners appear to be recognizing this, as Delta has noted an active renovation environment, especially in Suburban Maryland and Northern Virginia.

Sales of Apartment Buildings: Volume Lower, Value Still Strong

During the first eight months of 2008, there have been 21 Class B apartment sales noted, five high-rises and sixteen garden properties totaling 8,766 units. The garden properties traded at an average price of $102,491 per unit and the high-rise sales averaged $178,359 per unit. Last year at this time there were 32 garden properties sold averaging $123,012 and six high-rise sales averaging $120,459.

To view and/or download a sample report in an Adobe Acrobat PDF file, **click here**.

APPENDIX G

COMPARABLE PROPERTIES ANALYSIS

SUMMARY OF LOT SALE COMPARABLES

Comp. #	Parcel Location	Date of Sale	Gross Building Size (SF)	Total Sale Price	Sale Price Per Building SF
Subject	Stanford Lot 34	***N/A***	8,610	$ 450,000	$2.17
2	Tilco Condo lots	***Feb-06***	5,180	$ 2,049,000	$5.97
3	Reich Ford Rd (pending)	***Nov-08***	56,600	$ 699,000	$11.71
4	Tilco Lot 336	***Aug-08***	2,250	$ 1,300,000	$12.75
5	Tilco Lot 334	***Sep-06***	32,314	$ 850,000	$8.03
6	Wedgewood Lot 16B	***Sep-08***	9,100	$ 530,000	$7.60
7	Wedgewood Lot 21	***Aug-08***	1,875	$ 570,653	$5.98
8	Stanford Lot 36	***Sep-04***	8,610	$ 233,000	$2.05
9	Stanford Lot 28	***Oct-07***	8,610	$ 285,000	$2.12

Unadjusted Average:	**$7.18**

SUMMARY OF BUILDING SALE COMPARABLES

Comp. #	Parcel Location	Date of Sale	Gross Building Size (SF)	Total Sale Price	Sale Price Per Building SF
Subject	Tilco Condo	***Nov-07***	8,610	$ 1,136,520	$132.00
1	Industry way	***May-07***	5,180	$ 540,000	$104.25
2	Tech Way	***Jun-05***	56,600	$ 7,000,000	$123.67
3	Metro Ct	***May-05***	2,250	$ 259,000	$115.11
4	Metro Ct	***Mar-06***	32,314	$ 2,780,000	$86.03
5	Pine Av	***Sep-05***	9,100	$ 725,000	$79.67
6	Tyler Pl	***Oct-07***	1,875	$ 230,000	$122.67
7	Carroll Creek	***Feb-08***	4,610	$ 650,000	$141.00
8	Reichs Ford	***May-07***	28,083	$ 4,350,000	$154.90
9	Powell Rd	***Aug-07***	7,120	$ 600,000	$84.27
10	Westview	***Jun-07***	9,925	$ 880,000	$88.66
11	Industry Lane	***Jun-07***	9,748	$ 1,300,000	$133.36
12	Tilco Condo	***Mar-08***	4,350	$ 604,650	$139.00
13	Tilco Condo	***May-08***	4,350	$ 569,850	$131.00
14	Tilco Condo	***Apr-08***	17,040	$ 1,840,320	$108.00
15	Hillmark	***Nov-07***	5,160	$ 837,500	$162.31

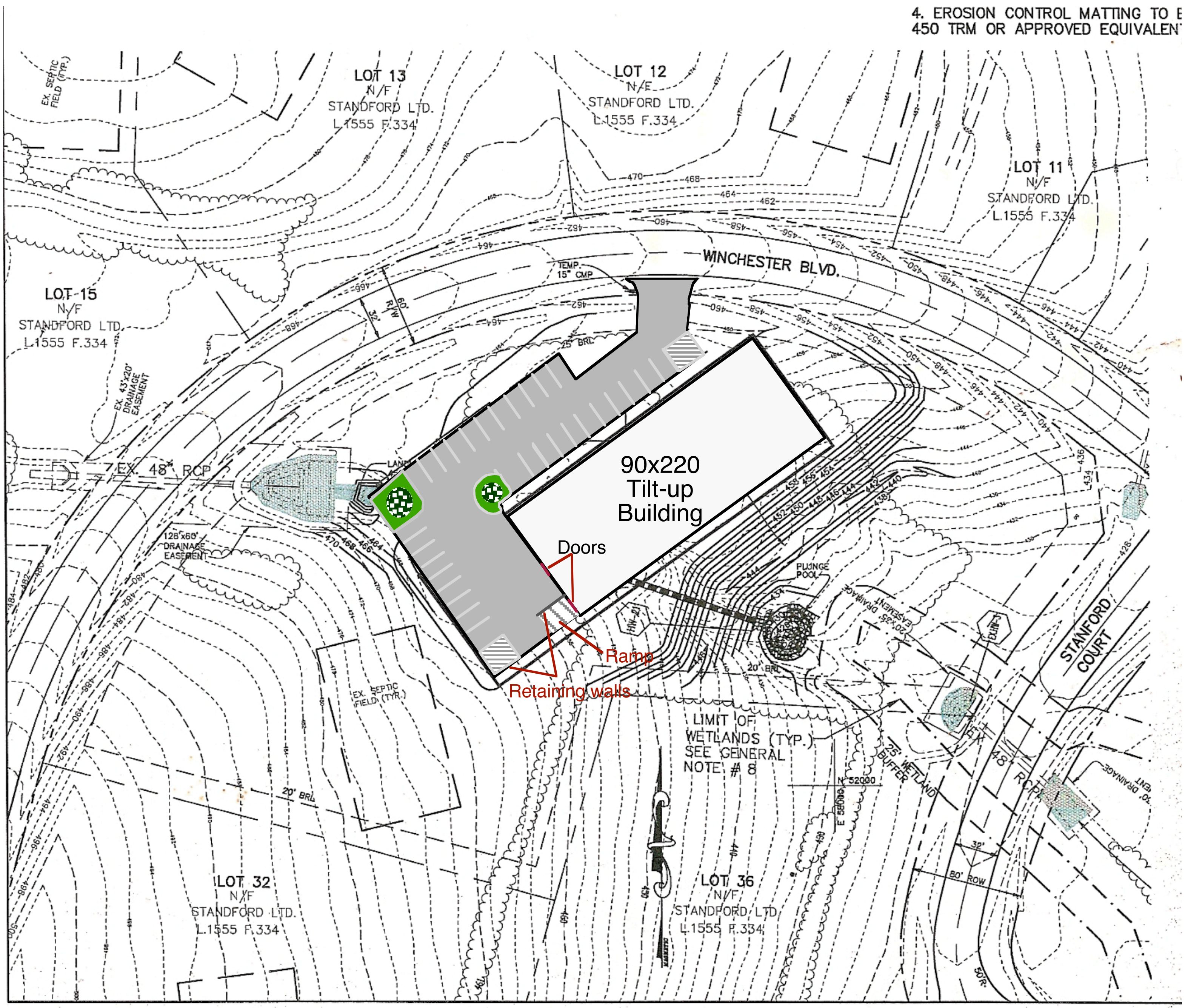
Unadjusted Average:	**$119.26**

SUMMARY OF LEASE COMPARABLES

Comp. #	Parcel Location	Gross Building Size (SF)	Unit Size (SF)	Lease Rate	Parking Per Thousand SF
Subj.	***Tilco Condo***	***90,180***	***22,000***	***$7.50***	***1.00***
1	Bristol 4	*18,000*	18,000	$6.75	1.00
2	5633 Cornell	*30,000*	30,000	$7.50	1.30
3	4510 Metrolpolitan Pl	*9,800*	9,800	$7.80	0.85
4	Hughes Ford Road	105,300	10,000	$7.50	1.00
5	Wedgewood	10,000	10,000	$6.95	0.75
6	3903 Cornell	13,200	2,640	$7.50	1.50
7	4840 Winchester Blvd	34,300	5,000	$7.75	1.30

APPENDIX H

GRADING & SITE PROOF OF CONCEPT



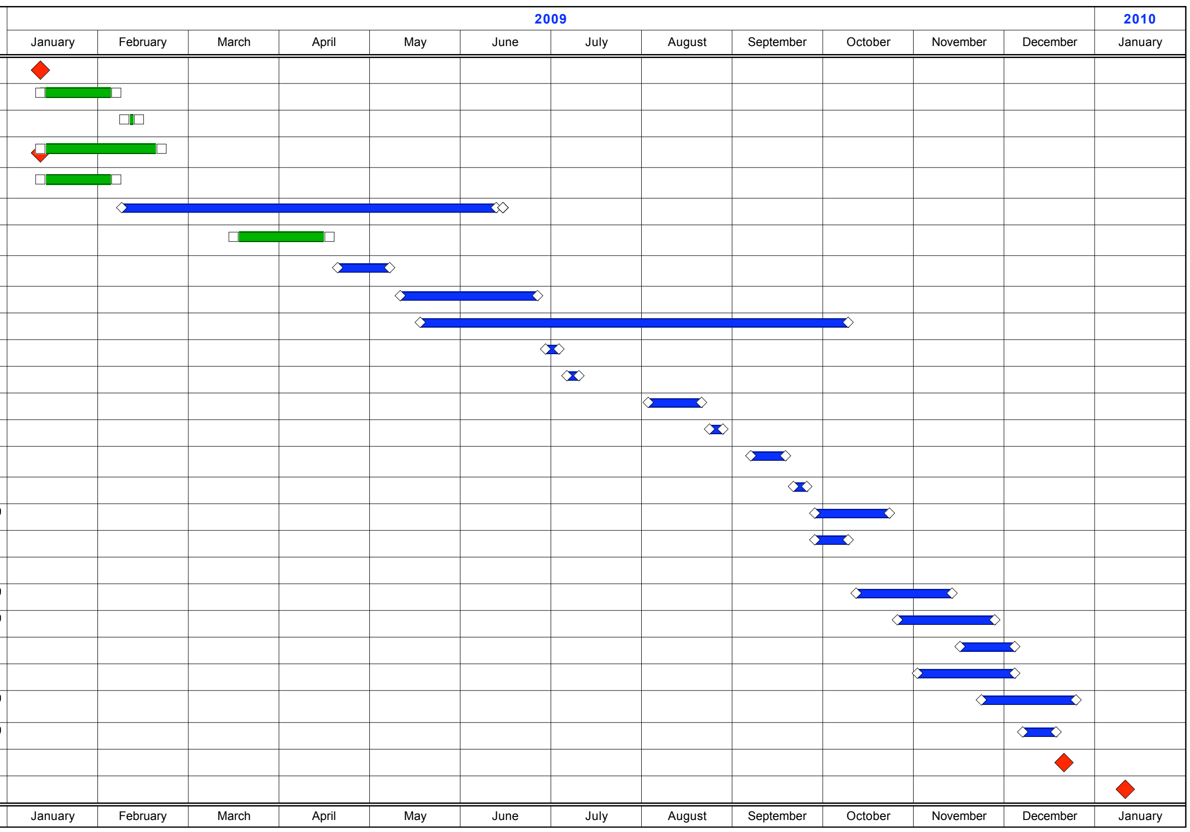
Building, Parking & Loading Proof of Concept

APPENDIX I

DEVELOPMENT & CONSTRUCTION SCHEDULE

STANFORD LOT 34 DEVELOPMENT & CONSTRUCTION SCHEDULE

	Activity Name	Start Date	Finish Date
1	COMMIT TO PROJECT	1/12/09	
2	APPLY FOR LOAN	1/12/09	2/6/09
3	SETTLE ON LOT	2/9/09	2/13/09
4	APPLY FOR GRADING PERMIT	1/12/09 1/12/09	2/20/09
5	NEGOTIATE CONSTRUCTION CONTRACT	1/12/09	2/6/09
6	START BUILDING DESIGN	2/8/09 6/15/09	6/12/09 6/15/09
7	APPLY FOR SITE PLAN APPROVAL	3/16/09	4/17/09
8	STAKE OUT ROUGH GRADE	4/20/09	5/7/09
9	BEGIN GRADING	5/11/09	6/26/09
10	UTILITIES	5/18/09	10/9/09
11	STAKE OUT FOUNDATION	6/29/09	7/3/09
12	POUR FLOOR SLAB	7/6/09	7/10/09
13	FORM WALLS	8/3/09	8/21/09
14	POUR WALLS	8/24/09	8/28/09
15	STRIP FORMS PREP WALLS	9/7/09	9/18/09
16	TILT WALLS	9/21/09	9/25/09
17	BEAMS & TRUSSES	9/28/09	10/23/09
18	PAVING	9/28/09	10/9/09
19			
20	ROOF DECKING	10/12/09	11/13/09
21	ROOF MEMBRANE	10/26/09	11/27/09
22	SIDEWALKS	11/16/09	12/4/09
23	WINDOWS & DOORS	11/2/09	12/4/09
24	CLEAN-UP	11/23/09	12/25/09
25	HYDRO-SEED	12/7/09	12/18/09
26	FINAL INSPECTION	12/21/09	
27	PERM LOAN CLOSING	1/11/10	



JOHN KIRKLAND

APPENDIX J

CONSTRUCTION BUDGET

Parker Cade & Large INCORPORATED

PO Box 147

Woodbine MD 21797

Lot 34 - Stanford Industrial Park

PMADC

Frederick MD 21704

Date: 04/08/08 No. Units 14,659.00

Time Due: Estimator(s): FD

		SPEC SECTION	DESCRIPTION		Budget
1		02000	ALLOWANCES		6,000
2		02010	A&E		9,000
3		02100	UTILITIES		11,476
4		02260	ASPHALT PAVING		22,000
5		02315	SITE DEMOLITION		0
7		02316	ROUGH GRADING		334,550
8		02391	CONCRETE		370,626
9		02531	SITE IMPROVEMENTS		127,409
10		02780	LANDSCAPING		2,963
12		04000	MASONRY - Allowance		3,584
13		05120	STEEL		43,500
14		06100	CARPENTRY - Allowance		3,900
16		06200	WOOD TRIM		0
18		07100	STUCCO		0
20		07200	ROOFING		41,036
21		07500	FLASHING		3,722
22		07600	CAULKING - Allowance		2,400
23		08100	COMMERCIAL STEEL DOORS		1,500
25		08300	ROLL-UP DOORS		2,150
26		08350	STOREFRONT SYSTEMS		8,800
29		09200	DRYWALL		0
30		09300	CERAMIC TILE -		0
31		09560	FLOORING		0
34		09900	CANOPIES		8,745
35		10000	SPECIALTIES		650
38		15300	PLUMBING		4,563
39		15400	SPRINKLER		4,265
40		15500	MECHANICAL		0
42		16100	ELECTRICAL		960
43		17000	PROTECTION		980
44		18000	TEMPORARY CONSTRUCTION		600
			SUBTOTAL		**1,329,129**
			SUB-CONTRACTOR BONDING COSTS (FILL IN COST MANUALLY)		
			DISCOUNT	**0.00%**	
			SUB BOND		
			SUBTOTAL WITH DISCOUNT		
			PCL GENERAL CONDITIONS	8.08%	29,700
			OVERHEAD	2.00%	24,750
			BUILDERS RISK INSURANCE	0.32%	
			INSURANCE BURDEN	0.86%	
			BUSINESS / MERCANTILE TAX		
			PERMIT - BY OWNER		
			ALLOWANCES		
			SUBTOTAL		
			P & P BOND COST	0.90%	
			Contractors Contingency		1,830
			SUBTOTAL		
			FEE / MARK-UP	**3.00%**	19,800
			TOTAL		**1,405,209**

APPENDIX K

DEVELOPMENT BUDGET

SOURCES OF FUNDS	Amount
Construction/Permanent Loan	$ 1,319,010
Owners Equity	$ 940,019
TOTAL USES OF FUNDS	$ 2,259,029
USES OF FUNDS	
Land	$ 400,000
Total Acquisition	***$ 400,000***
Construction Costs	
VerticalConstruction	$ 693,000
Hard Cost Contingency @ 10%	$ 139,000
Permits	$ 6,500
Land Improvements / Site Improvements	$ 334,550
Land Improvements / Proffered Infrastructure	$ 127,409
Landscape	$ 9,000
General Requirements	$ 29,700
Builder's Overhead	$ 24,750
Builder's Profit	$ 19,800
Architecture & Engineering	$ -
Design	$ 12,500
Geotechnical reports & monitoring	$ 9,000
Soft Cost Contingency (3%)	$ 1,830
Total Hard Costs	***$ 1,405,209***
Construction Financing - Construction Loan Fee	$ 3,500
Construction Lender Legal Fees	$ 1,500
Construction Lender Inspection Fee	$ 2,500
Capitalized Interest During Construction	$ 63,000
Accounting and Cost Certification	$ 625
Owner/Developer Legal Counsel	$ 1,500
Professional Fees - Builder's Risk Insurance	$ 4,000
Third Party Due Diligence Reports	$ 3,500
Title/Recording/Closing Costs	$ 1,100
ALTA Survey	$ 4,000
Interim Insurance	$ 1,700
Interim Taxes	$ 4,841
Marketing	$ -
Soft Cost Contingency (3%)	$ 1,830
Total Soft Costs	***$ 93,596***
Development Fee - Paid at Closing Through Completion	$ 150,000
Development Overhead	$ 25,000
Total Developer Fee	***$ 175,000***
Financing Fees - Permanent Loan	$ 20,000
LenderApplication Fee	$ 3,500
Mortgage Recordation Tax	$ 33,000
Construction Loan Fee	$ 3,500
Financing Contingency	$ 3,000
Total Financing Costs	***$ 63,000***
Debt Service Reserve Fund	$ 32,224
Internet Access	$ 90,000
Total Reserves & Misc	***$ 122,224***
TOTAL USES OF FUNDS	$ 2,259,029

APPENDIX L

BUILD PRO-FORMA

Annual Property Operating Data

Property Name	Stanford Lot 34 - Build Alternative			
Location	Frederick County MD			
Type of Property	Light Industrial		Purchase Price	2,259,029
Size of Property	19,800 (Sq. Ft./Units)		Plus Acquisition costs	
			Plus Loan Points	
Purpose of analysis	Feasibility Study		Less Mortgages	1,319,010
			Equals Initial Investment	940,019

Assessed/Appraised Values		
Land	32	32%
Improvements	68	68%
Personal Property		
Total	100	100%
Adjusted Basis as of:	2-Dec-08	$2,259,029

	Balance	Periodic Pmt	Pmts/Yr	Interest	Amort Period	Loan Term
1st	$1,319,010	$9,070	12	7.33%	30	10
2nd			12			

	ALL FIGURES ARE ANNUAL	$/SQ FT or $/Unit	% of GOI			COMMENTS/FOOTNOTES
1	**POTENTIAL RENTAL INCOME**	7.50			148,500	
2	Plus: Other Income (affected by vacancy)				32,193	NNN Reimbursables
3	Less: Vacancy & Cr. Losses		(of	)		100% pre-leased for 10 years
4	**EFFECTIVE RENTAL INCOME**				180,693	
5	Plus: Other Income (not affected by vacancy)				6,000	Management fee
6	**GROSS OPERATING INCOME**				186,693	
	OPERATING EXPENSES:					
7	Real Estate Taxes	1.26		24,867		
8	Personal Property Taxes					
9	Property Insurance					
10						
11						
12						
13	Administrative	0.09		1,782		
14	Repairs and Maintenance					
	Utilities:					
15						
16						
17						
18						
19	Accounting and Legal	0.20		3,960		
20	Licenses/Permits	0.08		1,584		
21	Landscape					
22	Supplies					
23	Miscellaneous Contract Services:					
24						
25						
26						
27						
28						
29	TOTAL OPERATING EXPENSES				32,193	
30	**NET OPERATING INCOME**				154,500	
31	Less: Annual Debt Service				108,836	
32	Less: Funded Reserves					
33	Less: Leasing Commissions					
34	Less: Capital Additions					
35	**CASH FLOW BEFORE TAXES**				$45,664	

The statements and figures herein, while not guaranteed, are secured from sources we believe authoritative.

Prepared by: *John Kirkland*

Cashflow Analysis Worksheet

Property Name	Stanford Lot 34	Purchase Price	2,259,029
Prepared For	JHU Practicum	Plus Acquisition Costs	
Prepared By	John Kirkland	Plus Loan Points	
Date Prepared	2-Dec-08	Less Mortgages	1,319,010
		Equals Initial Investment	940,019

Mortgage Data			Cost Recovery Data		
	1st Mortgage	2nd Mortgage		Improvements	Personal Property
Amount	1,319,010		Value	1,538,645	
Interest Rate	7.33%		C. R. Method	SL	
Amortization Period	30		Useful Life	39	
Loan Term	10		In Service Date	March-10	
Payments/Year	12	12	Date of Sale	February-20	
Periodic Payment	9,069.66	-	Recapture		
Annual Debt Service	108,836	-	Investment Tax		
Points			Credit ($$ or %)		

Taxable Income

Year :	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1 Potential Rental Income	123,750	152,955	157,544	162,270	167,138	172,152	177,317	182,636	188,115	193,759
2 +Other Income affected by vacancy	26,828	33,481	34,820	36,213	37,661	39,168	40,734	42,364	44,058	45,821
3 -Vacancy & Credit Losses										
4 =Effective Rental Income	150,578	186,436	192,364	198,483	204,799	211,320	218,051	225,000	232,174	239,579
5 +Other Income not affected by vacancy	5,000	6,180	6,427	6,684	6,952	7,230	7,519	7,820	8,132	8,458
6 =Gross Operating Income	155,578	192,616	198,791	205,167	211,751	218,550	225,570	232,820	240,306	248,037
7 -Operating Expenses	26,827	33,159	34,153	35,178	36,233	37,320	38,440	39,593	40,781	42,004
8 =NET OPERATING INCOME	128,750	159,457	164,637	169,989	175,518	181,229	187,130	193,227	199,525	206,033
9 -Interest - 1st Mortgage	80,287	95,478	94,465	93,375	92,203	90,942	89,586	88,126	86,556	84,867
10 -Interest - 2nd Mortgage										
11 -Cost Recovery - Improvements	31,234	39,451	39,451	39,451	39,451	39,451	39,451	39,451	39,451	4,939
12 -Cost Recovery - Personal Property										
13 -Amortization of Loan Points										
14 -Leasing Commissions										
15 =Real Estate Taxable Income	17,230	24,529	30,722	37,163	43,864	50,836	58,094	65,649	73,518	116,227
16 Tax Liability (Savings) at 28.0% ØØØØ	4,824	6,868	8,602	10,406	12,282	14,234	16,266	18,382	20,585	32,544

Cash Flow

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
17 NET OPERATING INCOME (Line 8)	128,750	159,457	164,637	169,989	175,518	181,229	187,130	193,227	199,525	206,033
18 -Annual Debt Service	90,697	108,836	108,836	108,836	108,836	108,836	108,836	108,836	108,836	108,836
19 -Reserves for Replacements										
20 - Leasing Commissions										
21 =CASH FLOW BEFORE TAXES	38,054	50,621	55,802	61,153	66,682	72,393	78,294	84,391	90,689	97,197
22 -Tax Liability (Savings) (Line 16)	4,824	6,868	8,602	10,406	12,282	14,234	16,266	18,382	20,585	32,544
23 +Investment Tax Credit										
24 =CASH FLOW AFTER TAXES	$33,229	$43,753	$47,199	$50,748	$54,400	$58,159	$62,028	$66,009	$70,104	$64,653

John Kirkland

Stanford Lot 34 - Build Alternative

Alternative Cash Sales Worksheet

Mortgage Balances

Year:	2010	2011	2012	2013	2014
Principal Balance - 1st Mortgage	1,308,600	1,295,242	1,280,871	1,265,410	1,248,777
Principal Balance - 2nd Mortgage					
TOTAL UNPAID BALANCE	$1,308,600	$1,295,242	$1,280,871	$1,265,410	$1,248,777

	2015	2016	2017	2018	2019
	1,230,883	1,211,633	1,190,923	1,168,644	1,144,675
	$1,230,883	$1,211,633	$1,190,923	$1,168,644	$1,144,675

Calculation of Sale Proceeds

PROJECTED SALES PRICE	$2,659,458	$2,363,963	$2,127,567
	(At 8.% cap)	(At 9.% cap)	(At 10.% cap)
CALCULATION OF ADJUSTED BASIS:			
1 Basis at Acquisition	$2,259,029	$2,259,029	$2,259,029
2 +Capital Additions			
3 -Cost Recovery (Depreciation) Taken	351,781	351,781	351,781
4 -Basis in Partial Sales			
5 =Adjusted Basis at Sale	1,907,248	1,907,248	1,907,248
CALCULATION OF EXCESS COST RECOVERY			
6 Total Cost Recovery Taken (Line 3)	351,781	351,781	351,781
7 -Straight Line Cost Recovery	351,781	351,781	351,781
8 =Excess Cost Recovery			
CALCULATION OF CAPITAL GAIN ON SALE:			
9 Sale Price	2,659,458	2,363,963	2,127,567
10 -Costs of Sale	265,946	236,396	212,757
11 -Adjusted Basis at Sale (Line 5)	1,907,248	1,907,248	1,907,248
12 -Participation Payments			
13 =Total Gain	486,264	220,319	7,562
14 -Excess Cost Recovery (Line 8)			
15 -Suspended Losses			
16 =Gain or (Loss)	486,264	220,319	7,562
17 -Straight Line Cost Recovery (limited to gain)	351,781	220,319	7,562
18 =Capital Gain from Appreciation	134,483		
ITEMS TAXED AS ORDINARY INCOME:			
19 Excess Cost Recovery (Line 8)			
CALCULATION OF SALES PROCEEDS AFTER TAX:			
22 Sale Price	2,659,458	2,363,963	2,127,567
23 -Cost of Sale	265,946	236,396	212,757
24 -Participation Payments			
25 -Mortgage Balance(s)	1,144,675	1,144,675	1,144,675
26 =Sale Proceeds Before Tax	1,248,838	982,892	770,135
27 -Tax (Savings) : Ordinary Income at 28% (Line 21)			
28 -Tax : Straight Line Recapture at 25% (Line 17)	87,945	55,080	1,890
29 -Tax on Capital Gains at 15% (Line 18)	20,173		
30 =SALE PROCEEDS AFTER TAX	$1,140,720	$927,812	$768,245

The statements and figures herein, while not guaranteed, are secured from sources we believe authoritative.

Stanford Lot 34 - Build Alternative

INTERNAL RATES OF RETURN

BEFORE TAX

n	Alternative 1 $	n	Alternative 2 $	n	Alternative 3 $
0	(940,019)	0	(940,019)	0	(940,019)
1	38,054	1	38,054	1	38,054
2	50,621	2	50,621	2	50,621
3	55,802	3	55,802	3	55,802
4	61,153	4	61,153	4	61,153
5	66,682	5	66,682	5	66,682
6	72,393	6	72,393	6	72,393
7	78,294	7	78,294	7	78,294
8	84,391	8	84,391	8	84,391
9	90,689	9	90,689	9	90,689
10	97,197 + 1,248,838	10	97,197 + 982,892	10	97,197 + 770,135
IRR=	9.09%	IRR=	7.34%	IRR=	5.71%
NPV=	$0	NPV=	$0	NPV=	$0
@	9.09%	@	7.34%	@	5.71%

AFTER TAX

n	Alternative 1 $	n	Alternative 2 $	n	Alternative 3 $
0	(940,019)	0	(940,019)	0	(940,019)
1	33,229	1	33,229	1	33,229
2	43,753	2	43,753	2	43,753
3	47,199	3	47,199	3	47,199
4	50,748	4	50,748	4	50,748
5	54,400	5	54,400	5	54,400
6	58,159	6	58,159	6	58,159
7	62,028	7	62,028	7	62,028
8	66,009	8	66,009	8	66,009
9	70,104	9	70,104	9	70,104
10	64,653 + 1,140,720	5	64,653 + 927,812	5	64,653 + 768,245
IRR=	7.16%	IRR=	5.58%	IRR=	4.21%
NPV=	$0	NPV=	$0	NPV=	$0
@	7.16%	@	5.58%	@	4.21%

Cap rate used on Sale = 8.% | Cap rate on Sale = 9.% | Cap rate on Sale = 10.%

Stanford Lot 34 - Build Alternative

Lot Price, Rent and Financing Sensitivity

	Lot Purchase Price	Rent/SF	Loan Int. Rate	LTV	Amort	After Tax IRR @ 9% Cap Rate
Baseline	$400,000	$7.50	7.33	70	30	5.58%
1	$400,000	$7.80	7.33	70	30	6.53%
2	$400,000	$7.20	7.33	70	30	4.58%
3	$400,000	$7.50	8.00	70	30	4.96%
4	$400,000	$7.50	7.33	90	30	5.85%
5	$400,000	$7.50	7.33	70	25	5.59%
6	$350,000	$7.50	7.33	70	30	6.18%
7	$325,000	$7.50	7.33	70	30	6.50%

John Kirkland

Model Assumptions Lot 34
Stanford Industrial Park

Ordinary Income Tax Bracket	28%
Capital Gain Max Tax Rate	15%
Tax Rate on Straight Line Recapture	25%
Month Placed in Service: (from CashFlows Sheet)	3

Year---->	1	2	3	4	5	6	7	8	9	10	11
Vacancy Rates (enter just year 1, or each year)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Rent Income Escalators (enter just year 2, or each year)		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Income Escalator, with vacancy		4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Other Income Escalator, without vacancy		3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expense Escalators (enter just year 2, or each year)		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

	Alternative 1	Alternative 2	Alternative 3
Cap rate used in Sale	8.00%	9.00%	10.00%
Expenses of Sale	10.00%		

John Kirkland

APPENDIX M

CONDO BROCHURE

NOW SELLING INDUSTRIAL/FLEX WAREHOUSE CONDOS

1539 TILCO DRIVE, FREDERICK, MD
Off Reich's Ford Road and I-70 Exit 55

Project
*7 Acre Site
*Total Building 128,610 sf
*Phase I 77,040 sf 18 Units
*Phase II 51,570 sf 12 Units
*Parking: 198 Spaces

Description
*30 Industrial/Flex Warehouse Condos
*24' Ceiling Heights
*Full Truck Access Around Building
*Dock and Drive-Ins Available
*Multi Units Available for Larger Users

Delivery
*Phase I Fall 2007
*Phase II Summer '08

CALL JIM MACKINTOSH FOR MORE INFORMATION :
888-446-6225 (Office)
240-529-0101 (Direct)

MACKINTOSH, INC.
COMMERCIAL BROKERAGE
262 WEST PATRICK STREET • FREDERICK, MARYLAND 21701

BASE NOTES

1. HORIZONTAL DATUM BASED ON MARYLAND STATE PLANE COORDINATE SYSTEM PROVIDED BY HIGHLAND SURVEYING CO., INC. FROM A PLAT OF SURVEY OF GEORGE R. & VIOLET V. CLARK PROPERTY DATED AUGUST, 1986.
2. VERTICAL DATUM IS BASED ON CITY OF FREDERICK DATUM PROVIDED BY HIGHLAND SURVEYING CO., INC. TO CONVERT TO NAVD 88, SUBTRACT 1.58' FROM ELEVATION SHOWN ON THE PLAN.
3. SITE TOPOGRAPHY IS BY AERIAL PHOTOGRAPHY PROVIDED BY POTOMAC AERIAL SURVEY'S SUPPLEMENTED WITH AVAILABLE SITE GRADING PLANS.
4. PAVING AND UTILITIES SHOWN HEREON ARE FROM AVAILABLE UTILITY DRAWINGS AND THEIR LOCATIONS SHOULD BE CONSIDERED APPROXIMATE AND SHOULD BE VERIFIED BEFORE CONSTRUCTION.
5. THIS PLAN PREPARED WITHOUT THE BENEFIT OF CURRENT TITLE REPORT.
6. TOTAL SITE AREA IS 343,448 SF OR 7.88 AC.±.
7. THIS LOT IS SUBJECT TO "DECLARATION OF PROTECTIVE COVENANTS AND RESTRICTIONS FOR INDUSTRIAL CENTER EAST" RECORDED IN LIBER 1543 AT FOLIO 967 AND AS AMENDED BY ALL RECORDED AMEND–

FIRE / RESCUE NOTES

FIRE LANES SHALL BE ESTABLISHED BY THE FIRE MARSHALL DURING THE BUILDING PLAN REVIEW AND SHALL BE INSTALLED AS DIRECTED BY THE FIRE MARSHALL.

FIRE SAFETY REQUIREMENTS OUTLINES IN NFPA 1,1997 EDITION, FOR BUILDINGS UNDERGOING CONSTRUCTION SHALL BE STRICTLY ADHERED TO PRIOR TO AND DURING CONSTRUCTION.

GENERAL NOTES

1. Site is zoned Light Industrial (M1) and contains 7.88± acres.

2. Previous Case File reference numbers: PC04–48FSI

3. There are no wetlands or 100–year floodplain on this site.

4. Proposed use is office, showroom, and warehouse. The developer anticipates 20% office space, 10% showroom space, and 70% warehouse space.

5. Dimensional Regulations:
   Minimum frontage: 50 feet (796'± PROVIDED)
   Maximum building height: 90 feet (28'± PROPOSED)
   Minimum street setback: 30 feet (56'± PROPOSED)
   Minimum interior setback: 10 feet (45'± PROPOSED)
   Minimum rear setback: 10 feet (100'± PROPOSED)
   Impervious surface ratio: 90% (83% PROVIDED)

6. Area Summery:

	Phase 1	Phase 1&2
Bldg. Area:	77,040 SF	128,610 SF
Paving Area:	91,989 SF	146,258 SF
Green Space:	165,639 SF	59,677 SF
Total Lot:	343,448 SF	343,448 SF

7. Parking requirements:

	Phase 1	Phase 1&2
Office:	15 (77) Spaces	26 (129) Spaces
Showroom:	15 (51) Spaces	26 (86) Spaces
Warehouse:	54 (154) Spaces	90 (257) Spaces
Total Req. Min. (Max.)	84 (282) Spaces	142 (472) Spaces
Parking Provided:	101 Spaces	198 Spaces

8. Loading requirements: (Retail 5,000–40,000 SF = 1 large)
   Minimum loading spaces: 1 Large (12'x50')
   Loading spaces provided: 8 Large (12'x50')

9. Site to be lighted with architecturally mounted wall lights placed in such a manner which eliminates glare into streets or adjacent properties.

10. Per Table 864–1, for Industrial Districts "Industrial Uses" the requirement is 2 SF per LF of building frontage (BF): 900 BF x 2 SF = 1,800 SF maximum. Maximum height is 15'–0". Maximum freestanding sign size is 100 SF. Maximum building mounted sign size is 1,350 SF.

    Existing site signage to remain: none

    Proposed building signage:
    (1) Building mounted sign = 200 SF
    (1) Freestanding sign = 100 SF
    Total proposed: 300 SF

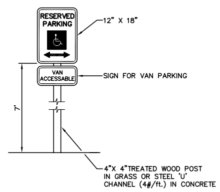
11. Trash pick–up by the private contractor is proposed.

12. Stormwater quantity and quality management is provided by the existing Industrial Center East SWM facility No.1 as shown on Improvement Plans prepared by HSA, Inc. dated 1990.

13. This site is exempt from Forest Conservation per Section 721(a)(7)H.1.

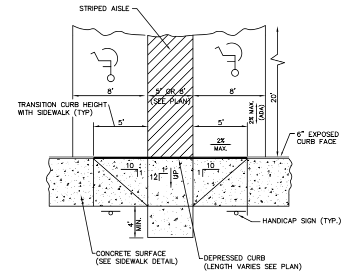
14. All work will be done in compliance with the Maryland Handicapped Code.

15. Developer / Contract Purchaser:
    Technical Property Services, Inc.
    C/O Claude J. Thomas II
    1819 L Street, NW
    Suite# 410
    Washington, DC 20036
    (202) 466–8774



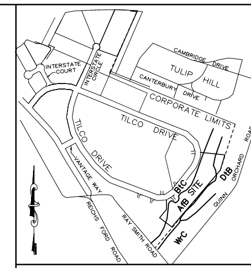
HANDICAP SIGN DETAIL

NTS



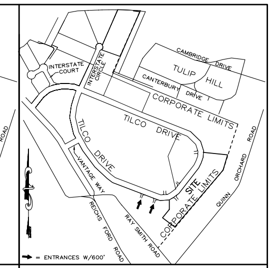
HANDICAP PARKING DETAIL

NTS



SOILS MAP

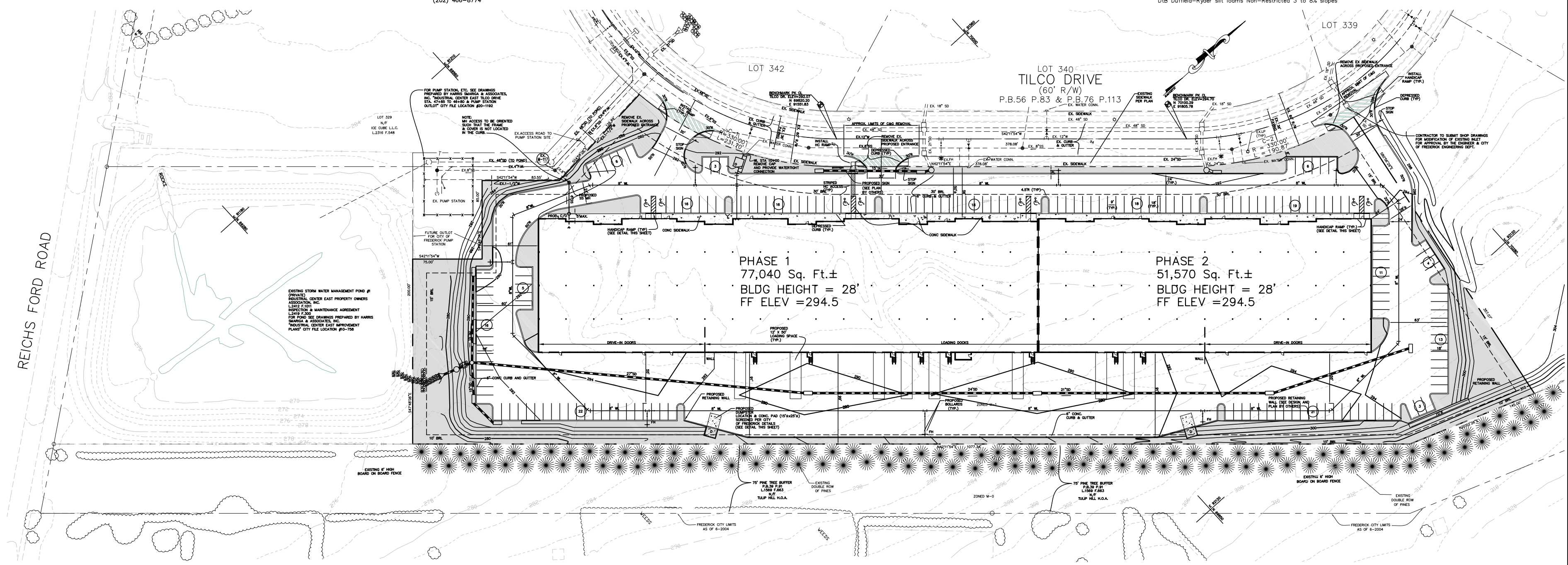
SCALE: 1"=800' FREDERICK COUNTY ELECTRONIC SOILS MAP # 77
P/O PARCELS 2141–A



VICINITY MAP

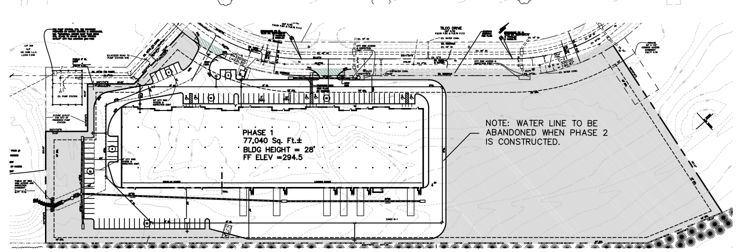
SCALE: 1"=800' FREDERICK CITY TAX MAP # 424
P/O PARCELS 2141–A

AfB Adamstown–Funkstown complex Floodplain 0 to 8% slopes
BtC Buckeystown loam Non–Restricted 8 to 15% slopes
DtB Duffield–Ryder silt loams Non–Restricted 3 to 8% slopes



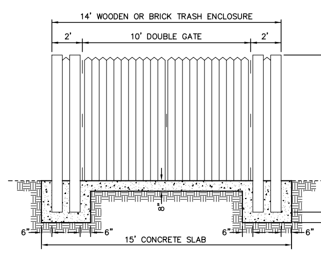
PHASE 1 AND 2

SCALE: 1" = 50'



PHASE 1 GRAPHIC

SCALE: 1" = 100'



DUMPSTER ENCLOSURE DETAIL

NTS

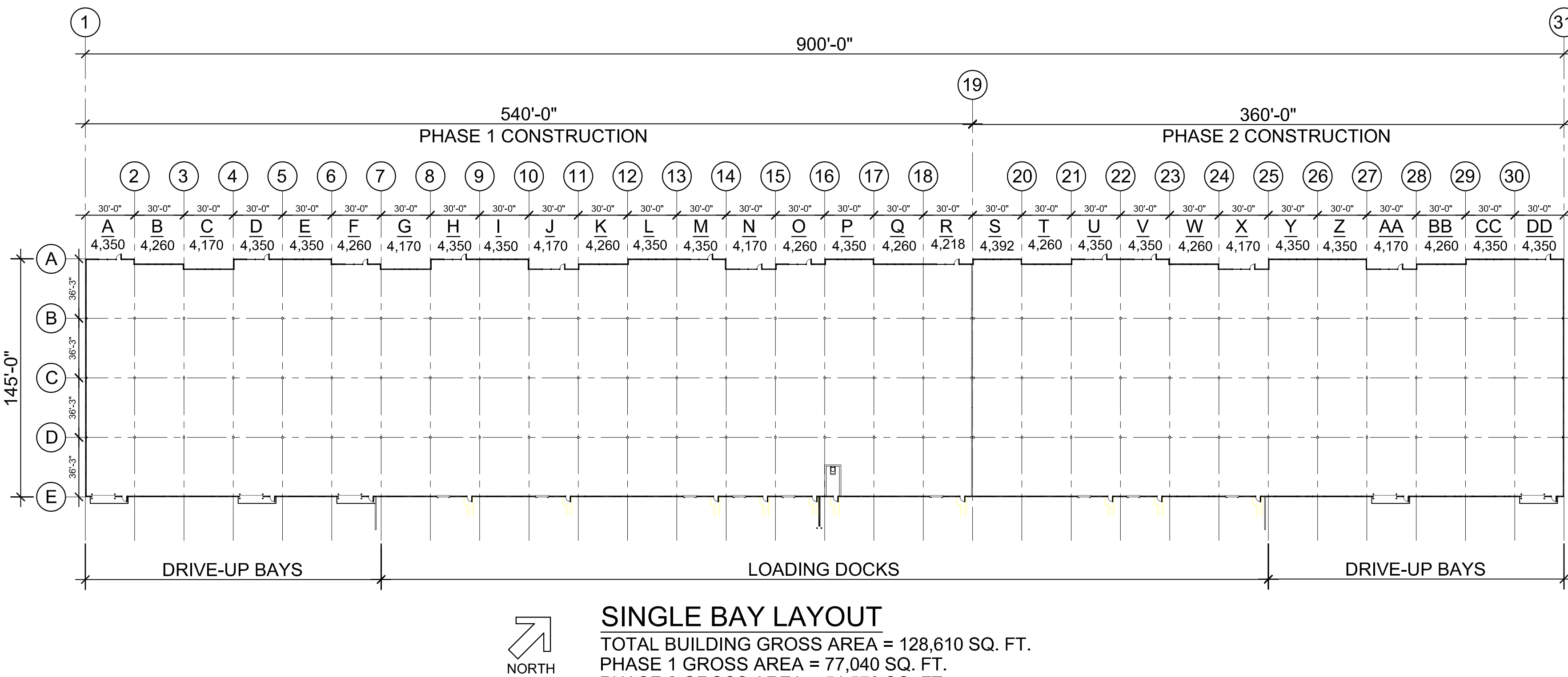
Harris,Smariga&Associates,Inc.
Planners/Engineers/Surveyors
125 South Carroll Street, Suite 100, Frederick, MD. 21701
301–662–4488

REVISIONS:

SITE PLAN
FOR
INDUSTRIAL CENTER EAST
LOT 330
PHASE 1 AND 2

SITUATED ON TILCO DRIVE
CITY OF FREDERICK
ELECTION DISTRICT #2
FREDERICK COUNTY MARYLAND

SCALE: AS SHOWN
DRAWN BY: GTW
CHECKED BY: CMS
DATE: JULY 17, 2006
SHEET: 1 OF: 2
PROJECT: 5252



SINGLE BAY LAYOUT

TOTAL BUILDING GROSS AREA = 128,610 SQ. FT.
PHASE 1 GROSS AREA = 77,040 SQ. FT.
PHASE 2 GROSS AREA = 51,570 SQ. FT.

INDUSTRIAL CENTER EAST
LOT 330

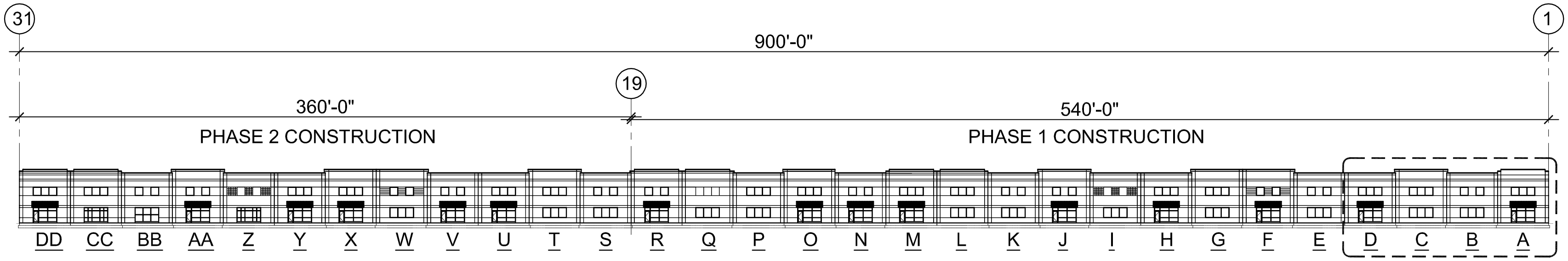
Tilco Drive
Frederick, Maryland 21701

OWNER: I.C.E. FREDERICK, LLC
c.o.
TECHNICAL PROPERTY SERVICES, INC.
1819 L STREET, NW
SUITE 410
WASHINGTON, D.C. 20036

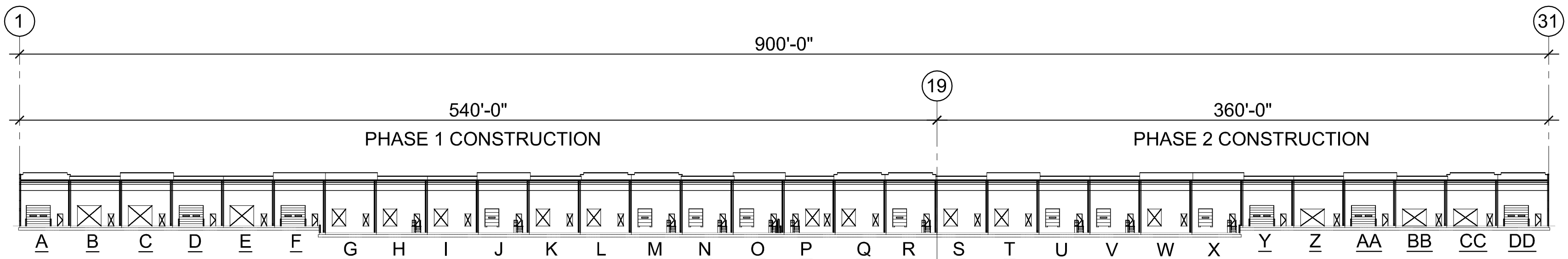
CMW GROUP, INC.
Architects / Planners
44 North Market Street - Suite 300
Frederick, Maryland 21701
Phone: 301-631-2995
Fax: 301-631-2924

DATE	07/19/06
PROJ. NO.	06-026-01

MK-1



NORTH (Front) ELEVATION



SOUTH (Rear) ELEVATION

INDUSTRIAL CENTER EAST
LOT 330

Tilco Drive
Frederick, Maryland 21701

OWNER: I.C.E. FREDERICK, LLC
c.o.
TECHNICAL PROPERTY SERVICES, INC.
1819 L STREET, NW
SUITE 410
WASHINGTON, D.C. 20036

CMW GROUP, INC.
Architects / Planners
44 North Market Street - Suite 300
Frederick, Maryland 21701
Phone: 301-631-2995
Fax: 301-631-2924

DATE	07/19/06
PROJ. NO.	06-026-01

MK-3

APPENDIX N

BUY PRO-FORMA

Annual Property Operating Data

Property Name	Tilco Condo - Buy Alternative
Location	Frederick County MD
Type of Property	Light Industrial
Size of Property	17,130 (Sq. Ft./Units)
Purpose of analysis	Feasibility Study - Buy Alternative

Purchase Price	1,884,300
Plus Acquisition costs	
Plus Loan Points	18,843
Less Mortgages	1,319,010
Equals Initial Investment	584,133

Assessed/Appraised Values

Land	32	32%
Improvements	68	68%
Personal Property		
Total	100	100%
Adjusted Basis as of:	2-Dec-08	$1,884,300

	Balance	Periodic Pmt	Pmts/Yr	Interest	Amort Period	Loan Term
1st	$1,319,010	$9,070	12	7.33%	30	10
2nd			12			

	ALL FIGURES ARE ANNUAL	$/SQ FT or $/Unit	% of GOI			COMMENTS/FOOTNOTES
1	**POTENTIAL RENTAL INCOME**	7.50			128,475	
2	Plus: Other Income (affected by vacancy)				41,122	NNN Reimbursables
3	Less: Vacancy & Cr. Losses	(	of	)		100% pre-leased for 10 years
4	**EFFECTIVE RENTAL INCOME**				169,597	
5	Plus: Other Income (not affected by vacancy)				6,000	Management Fee
6	**GROSS OPERATING INCOME**				175,597	
	OPERATING EXPENSES:					
7	Real Estate Taxes	2.03		34,784		
8	Personal Property Taxes					
9	Property Insurance					
10						
11						
12						
13	Administrative	0.09		1,542		
14	Repairs and Maintenance					
	Utilities:					
15						
16						
17						
18						
19	Accounting and Legal	0.20		3,426		
20	Licenses/Permits	0.08		1,370		
21	Landscape					
22	Supplies					
23	Miscellaneous Contract Services:					
24						
25						
26						
27						
28						
29	TOTAL OPERATING EXPENSES				41,122	
30	**NET OPERATING INCOME**				134,475	
31	Less: Annual Debt Service				108,836	
32	Less: Funded Reserves					
33	Less: Leasing Commissions					
34	Less: Capital Additions					
35	**CASH FLOW BEFORE TAXES**				$25,639	

The statements and figures herein, while not guaranteed, are secured from sources we believe authoritative.

Prepared by: *John Kirkland*

Cashflow Analysis Worksheet

Property Name	Tilco Condo - Buy Alternative		Purchase Price	1,884,300
Prepared For	JHU Practicum		Plus Acquisition Costs	
Prepared By	John Kirkland		Plus Loan Points	
Date Prepared	2-Dec-08		Less Mortgages	1,319,010
			Equals Initial Investment	565,290

Mortgage Data			Cost Recovery Data		
	1st Mortgage	2nd Mortgage		Improvements	Personal Property
Amount	1,319,010		Value	1,283,414	
Interest Rate	7.33%		C. R. Method	SL	
Amortization Period	30		Useful Life	39	
Loan Term	10		In Service Date	March-09	
Payments/Year	12	12	Date of Sale	February-19	
Periodic Payment	9,069.66	-	Recapture		
Annual Debt Service	108,836	-	Investment Tax Credit ($$ or %)		
Points					

Taxable Income

Year :	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1 Potential Rental Income	107,063	132,329	136,299	140,388	144,600	148,938	153,406	158,008	162,748	167,631
2 +Other Income affected by vacancy	34,268	42,356	43,626	44,935	46,283	47,672	49,102	50,575	52,092	53,655
3 -Vacancy & Credit Losses										
4 =Effective Rental Income	141,331	174,685	179,925	185,323	190,883	196,609	202,508	208,583	214,840	221,286
5 +Other Income not affected by vacancy	5,000	6,180	6,427	6,684	6,952	7,230	7,519	7,820	8,132	8,458
6 =Gross Operating Income	146,331	180,865	186,353	192,008	197,835	203,839	210,027	216,403	222,973	229,743
7 -Operating Expenses	34,269	42,356	43,627	44,935	46,283	47,672	49,102	50,575	52,092	53,655
8 =NET OPERATING INCOME	112,062	138,509	142,726	147,072	151,551	156,167	160,924	165,827	170,880	176,088
9 -Interest - 1st Mortgage	80,287	95,478	94,465	93,375	92,203	90,942	89,586	88,126	86,556	84,867
10 -Interest - 2nd Mortgage										
11 -Cost Recovery - Improvements	26,053	32,907	32,907	32,907	32,907	32,907	32,907	32,907	32,907	4,120
12 -Cost Recovery - Personal Property										
13 -Amortization of Loan Points										
14 -Leasing Commissions										
15 =Real Estate Taxable Income	5,723	10,124	15,354	20,790	26,441	32,318	38,432	44,794	51,417	87,101
16 Tax Liability (Savings) at 28.0% ØØØØ	1,602	2,835	4,299	5,821	7,403	9,049	10,761	12,542	14,397	24,388

Cash Flow

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
17 NET OPERATING INCOME (Line 8)	112,062	138,509	142,726	147,072	151,551	156,167	160,924	165,827	170,880	176,088
18 -Annual Debt Service	90,697	108,836	108,836	108,836	108,836	108,836	108,836	108,836	108,836	108,836
19 -Reserves for Replacements										
20 - Leasing Commissions										
21 =CASH FLOW BEFORE TAXES	21,366	29,673	33,890	38,236	42,715	47,331	52,089	56,992	62,045	67,252
22 -Tax Liability (Savings) (Line 16)	1,602	2,835	4,299	5,821	7,403	9,049	10,761	12,542	14,397	24,388
23 +Investment Tax Credit										
24 =CASH FLOW AFTER TAXES	$19,763	$26,838	$29,591	$32,415	$35,312	$38,282	$41,328	$44,449	$47,648	$42,864

Tilco Condo - Buy Alternative

Alternative Cash Sales Worksheet

Mortgage Balances

Year:	2009	2010	2011	2012	2013
Principal Balance - 1st Mortgage	1,308,600	1,295,242	1,280,871	1,265,410	1,248,777
Principal Balance - 2nd Mortgage					
TOTAL UNPAID BALANCE	$1,308,600	$1,295,242	$1,280,871	$1,265,410	$1,248,777

	2014	2015	2016	2017	2018
	1,230,883	1,211,633	1,190,923	1,168,644	1,144,675
	$1,230,883	$1,211,633	$1,190,923	$1,168,644	$1,144,675

Calculation of Sale Proceeds

PROJECTED SALES PRICE	$2,268,192	$2,016,171	$1,814,554
	(At 8.% cap)	(At 9.% cap)	(At 10.% cap)
CALCULATION OF ADJUSTED BASIS:			
1 Basis at Acquisition	$1,884,300	$1,884,300	$1,884,300
2 +Capital Additions			
3 -Cost Recovery (Depreciation) Taken	293,429	293,429	293,429
4 -Basis in Partial Sales			
5 =Adjusted Basis at Sale	1,590,871	1,590,871	1,590,871
CALCULATION OF EXCESS COST RECOVERY			
6 Total Cost Recovery Taken (Line 3)	293,429	293,429	293,429
7 -Straight Line Cost Recovery	293,429	293,429	293,429
8 =Excess Cost Recovery			
CALCULATION OF CAPITAL GAIN ON SALE:			
9 Sale Price	2,268,192	2,016,171	1,814,554
10 -Costs of Sale	226,819	201,617	181,455
11 -Adjusted Basis at Sale (Line 5)	1,590,871	1,590,871	1,590,871
12 -Participation Payments			
13 =Total Gain	450,502	223,683	42,227
14 -Excess Cost Recovery (Line 8)			
15 -Suspended Losses			
16 =Gain or (Loss)	450,502	223,683	42,227
17 -Straight Line Cost Recovery (limited to gain)	293,429	223,683	42,227
18 =Capital Gain from Appreciation	157,073		
ITEMS TAXED AS ORDINARY INCOME:			
19 Excess Cost Recovery (Line 8)			
CALCULATION OF SALES PROCEEDS AFTER TAX:			
22 Sale Price	2,268,192	2,016,171	1,814,554
23 -Cost of Sale	226,819	201,617	181,455
24 -Participation Payments			
25 -Mortgage Balance(s)	1,144,675	1,144,675	1,144,675
26 =Sale Proceeds Before Tax	896,698	669,879	488,423
27 -Tax (Savings) : Ordinary Income at 28% (Line 21)			
28 -Tax : Straight Line Recapture at 28% (Line 17)	82,160	62,631	11,824
29 -Tax on Capital Gains at 15% (Line 18)	23,561		
30 =SALE PROCEEDS AFTER TAX	$790,977	$607,248	$476,600

The statements and figures herein, while not guaranteed, are secured from sources we believe authoritative.

Tilco Condo - Buy Alternative

INTERNAL RATES OF RETURN

BEFORE TAX

	Alternative 1		Alternative 2		Alternative 3
n	**$**	**n**	**$**	**n**	**$**
0	(584,133)	0	(584,133)	0	(584,133)
1	21,366	1	21,366	1	21,366
2	29,673	2	29,673	2	29,673
3	33,890	3	33,890	3	33,890
4	38,236	4	38,236	4	38,236
5	42,715	5	42,715	5	42,715
6	47,331	6	47,331	6	47,331
7	52,089	7	52,089	7	52,089
8	56,992	8	56,992	8	56,992
9	62,045	9	62,045	9	62,045
10	67,252 + 896,698	10	67,252 + 669,879	10	67,252 + 488,423
IRR=	10.36%	IRR=	8.2%	IRR=	6.09%
NPV=	$0	NPV=	$0	NPV=	$0
@	10.36%	@	8.2%	@	6.09%

AFTER TAX

	Alternative 1		Alternative 2		Alternative 3
n	**$**	**n**	**$**	**n**	**$**
0	(584,133)	0	(584,133)	0	(584,133)
1	19,763	1	19,763	1	19,763
2	26,838	2	26,838	2	26,838
3	29,591	3	29,591	3	29,591
4	32,415	4	32,415	4	32,415
5	35,312	5	35,312	5	35,312
6	38,282	6	38,282	6	38,282
7	41,328	7	41,328	7	41,328
8	44,449	8	44,449	8	44,449
9	47,648	9	47,648	9	47,648
10	42,864 + 790,977	5	42,864 + 607,248	5	42,864 + 476,600
IRR=	8.24%	IRR=	6.2%	IRR=	4.46%
NPV=	$0	NPV=	$0	NPV=	$0
@	8.24%	@	6.2%	@	4.46%

Cap rate used on Sale = 8.%	Cap rate on Sale = 9.%	Cap rate on Sale = 10.%

INTERNAL RATES OF RETURN

Tilco Condo - Buy Alternative

Price, Rent and Financing Sensitivity

	Purchase Price/ SF	Rent/SF	Loan Int. Rate	LTV	Amort	After Tax IRR @ 9% Cap Rate
Baseline	$110.00	$7.50	7.33	70	30	6.20%
1	$110.00	$7.80	7.33	70	30	7.44%
2	$110.00	$7.20	7.33	70	30	4.88%
3	$110.00	$7.50	8.00	70	30	5.22%
4	$110.00	$7.50	7.33	90	30	7.73%
5	$110.00	$7.50	7.33	70	25	6.18%
6	$130.00	$7.50	7.33	70	30	1.46%
7	$100.00	$7.50	7.33	70	30	10.49%

Tilco Condo - Buy Alternative

Ordinary Income Tax Bracket	28%
Capital Gain Max Tax Rate	15%
Tax Rate on Straight Line Recapture	28%
Month Placed in Service:	3
(from CashFlows Sheet)	

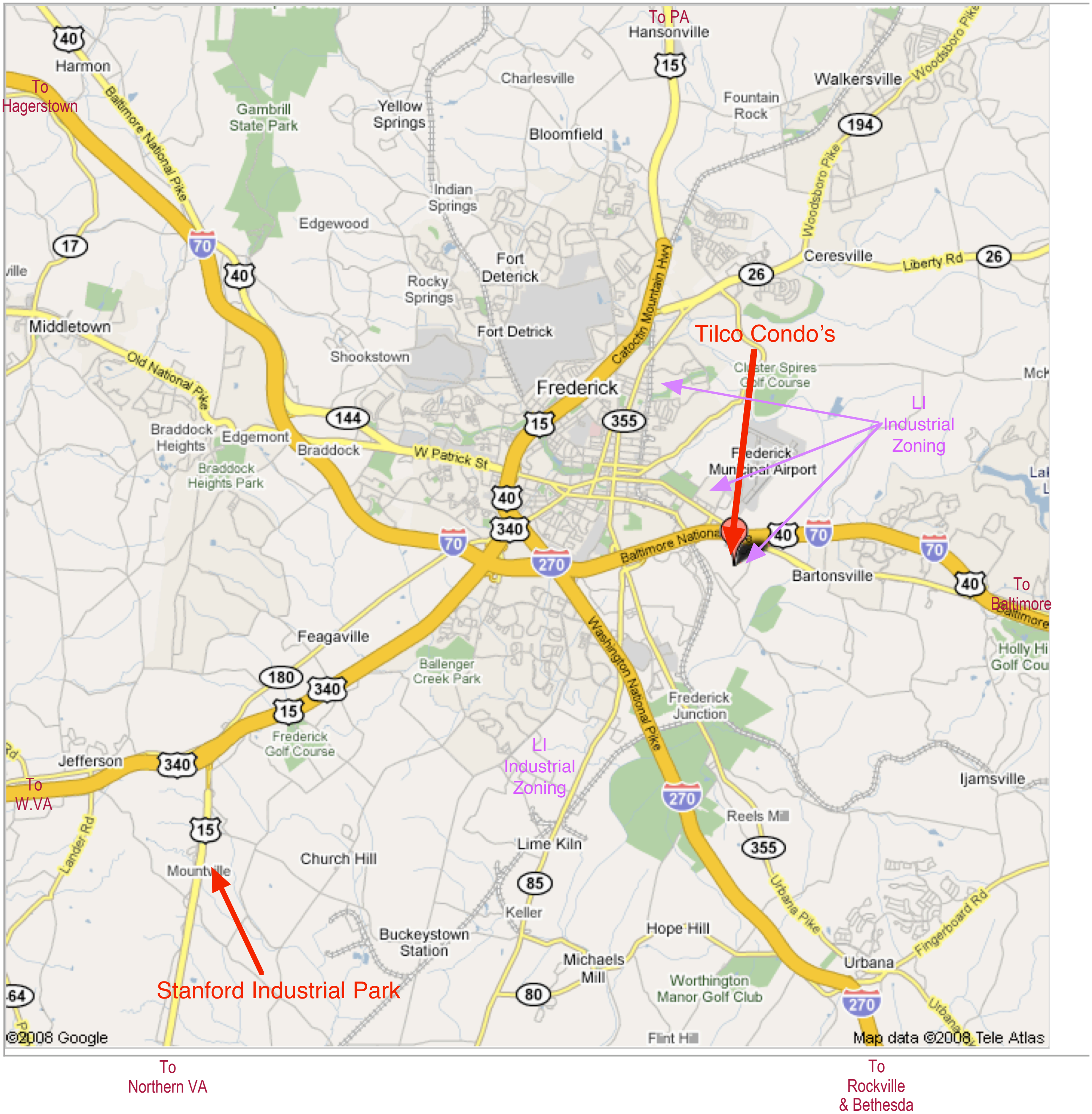
Year---->	1	2	3	4	5	6	7	8	9	10	11
Vacancy Rates (enter just year 1, or each year)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Rent Income Escalators (enter just year 2, or each year)		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Income Escalator, with vacancy		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Income Escalator, without vacancy		3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expense Escalators (enter just year 2, or each year)		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

	Alternative 1	Alternative 2	Alternative 3
Cap rate used in Sale	8.00%	9.00%	10.00%
Expenses of Sale	10.00%		

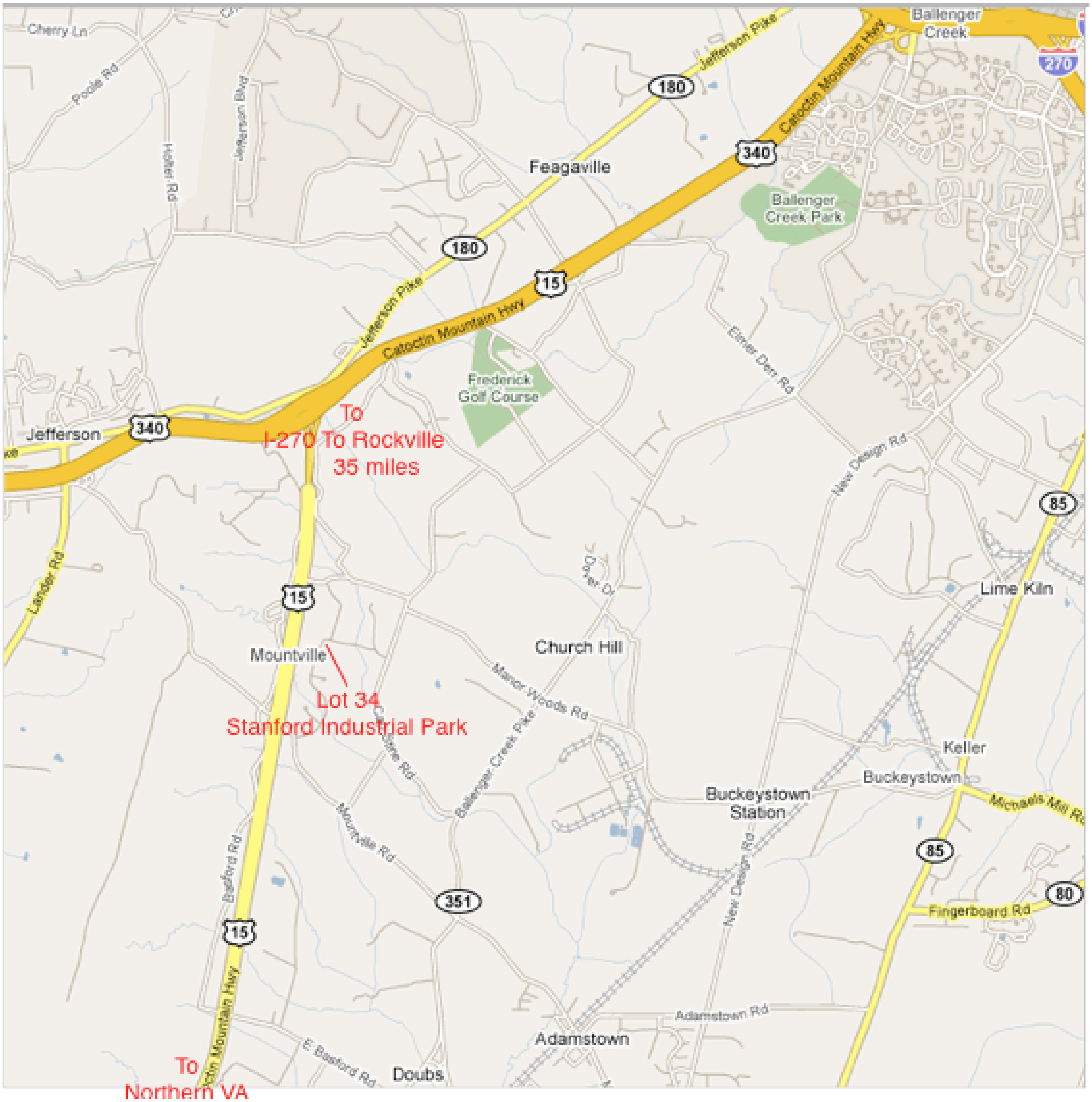
John Kirkland

APPENDIX A

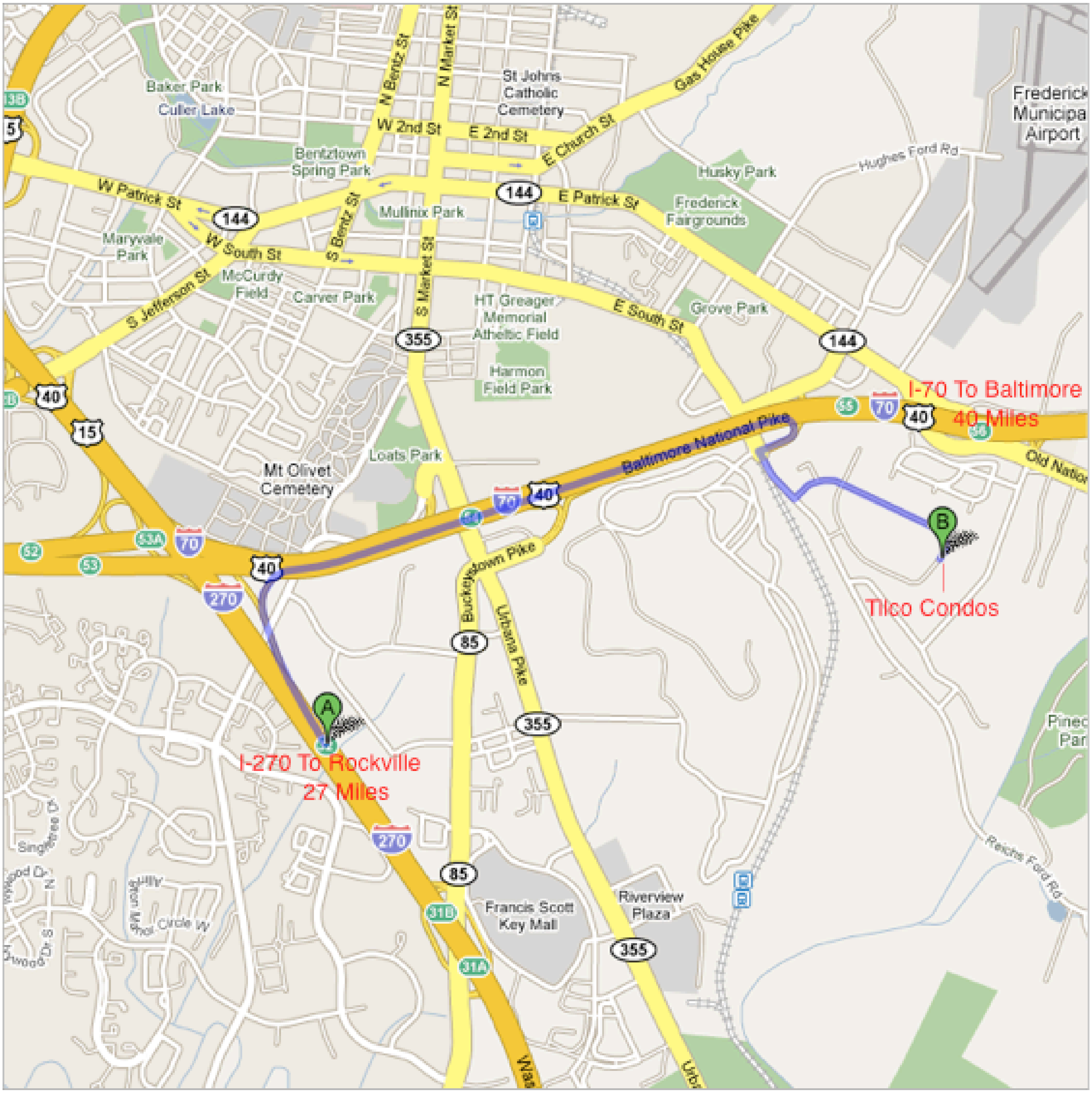
LOCATION MAPS



To PA
Hansonville
To Hagerstown
Harmon
Baltimore National Pike
Gambrill State Park
Yellow Springs
Charlesville
Walkersville
Woodsboro Pike
Fountain Rock
Bloomfield
Indian Springs
Edgewood
Fort Deterick
Rocky Springs
Catoctin Mountain Hwy
Ceresville
Liberty Rd
Middletown
Old National Pike
Shookstown
Fort Detrick
Tilco Condo's
Cluster Spires Golf Course
Frederick
LI Industrial Zoning
Braddock Heights
Edgemont
Braddock
Braddock Heights Park
W Patrick St
Frederick Municipal Airport
Baltimore National Pike
Bartonsville
To Baltimore
Holly Hi Golf Cou
Feagaville
Ballenger Creek Park
Washington National Pike
Frederick Junction
Frederick Golf Course
Jefferson
To W.VA
LI Industrial Zoning
Ijamsville
Reels Mill
Lander Rd
Lime Kiln
Mountville
Church Hill
Keller
Urbana Pike
Fingerboard Rd
Buckeystown Station
Hope Hill
Michaels Mill
Urbana
Stanford Industrial Park
Worthington Manor Golf Club
©2008 Google
Flint Hill
Map data ©2008 Tele Atlas
To Northern VA
To Rockville & Bethesda



To
I-270 To Rockville
35 miles
Lot 34
Stanford Industrial Park
To
Northern VA
Cherry Ln
Poole Rd
Jefferson Blvd
Holter Rd
Jefferson Pike
180
Ballenger
Creek
270
Catoctin Mountain Hwy
340
Feagaville
Ballenger
Creek Park
15
Frederick
Golf Course
Jefferson
Elmer Derr Rd
New Design Rd
85
Lander Rd
Dover Dr
Lime Kiln
Mountville
Church Hill
Manor Woods Rd
Ballenger Creek Pike
Keller
Buckeystown
Buckeystown
Station
Michaels Mill Rd
Mountville Rd
Basford Rd
351
80
Fingerboard Rd
Adamstown Rd
Adamstown
E Basford Rd
Doubs



I-70 To Baltimore
40 Miles
Tilco Condos
I-270 To Rockville
27 Miles
Baker Park
Culler Lake
St Johns
Catholic
Cemetery
Frederick
Municipal
Airport
Bentztown
Spring Park
Husky Park
W Patrick St
E Patrick St
W South St
E South St
Mullinix Park
Frederick
Fairgrounds
Maryvale
Park
McCurdy
Field
Carver Park
HT Greager
Memorial
Athletic Field
Grove Park
Harmon
Field Park
Loats Park
Mt Olivet
Cemetery
Baltimore National Pike
Buckeystown Pike
Urbana Pike
Francis Scott
Key Mall
Riverview
Plaza
Gas House Pike
E Church St
W 2nd St
E 2nd St
N Bentz St
N Market St
S Bentz St
S Market St
S Jefferson St
Hughes Ford Rd
Reichs Ford Rd

APPENDIX B

INDUSTRIAL BUILDING CLASSIFICATIONS

Typical Industrial Building Characteristics

The following matrix illustrates the primary considerations for determining the appropriate classification of an **Industrial Building** as **Manufacturing, Warehouse** or **Flex.**

Building Type						
Primary Type	Manufacturing	Warehouse			Flex	
			Distribution			
Sub-type/ Special Purpose	General Purpose	General Purpose Warehouse	General Purpose Distribution	Truck Terminal	General Purpose Flex	Service Center/ Showroom
Size (sf)	Any	50k+	50k+	20k+	20k+	<150k
Clear Height (ft)	10+	16+	16+	12-16	10-18	15-25
Loading Docks	Yes	Yes	Yes	Cross-dock	Yes	Yes
Door-to-Square-Foot Ratio	Varies	1:5k-15k	1:3k-10k	1:500-5k	1:5k-15k+	1:10k
Office Percentage	<20%	<15%	<20%	<10%	25-100%	30-40%
Divisibility (Smallest suite – sf)	Varies	15k+	50k+	10k+	5k+	2k+
Curb Appeal	Low	Low	Low	Low	High	High
Automobile Parking Ratio	Varies	Low	Low	Varies	High	High
Primary Use	Manufacturing	Storage, Distribution	Distribution	Truck Trans-shipment	R&D, Storage, Office, Lab, Retail, Light Manufacturing	Showroom, Storage, Light Manufacturing
Sub-Sets	Heavy, Light Manufacturing	Bulk Warehouse, Cold/Refrigerator Storage, Freezer Storage, High-Cube, Self Storage, Bonded	Overnight Delivery Services, Air Cargo		Garden Office, Incubator, Tech	Shallow-Bay

Note: This matrix is intended to be an aid in classifying properties between the principal Industrial Building types, subject to the following considerations:

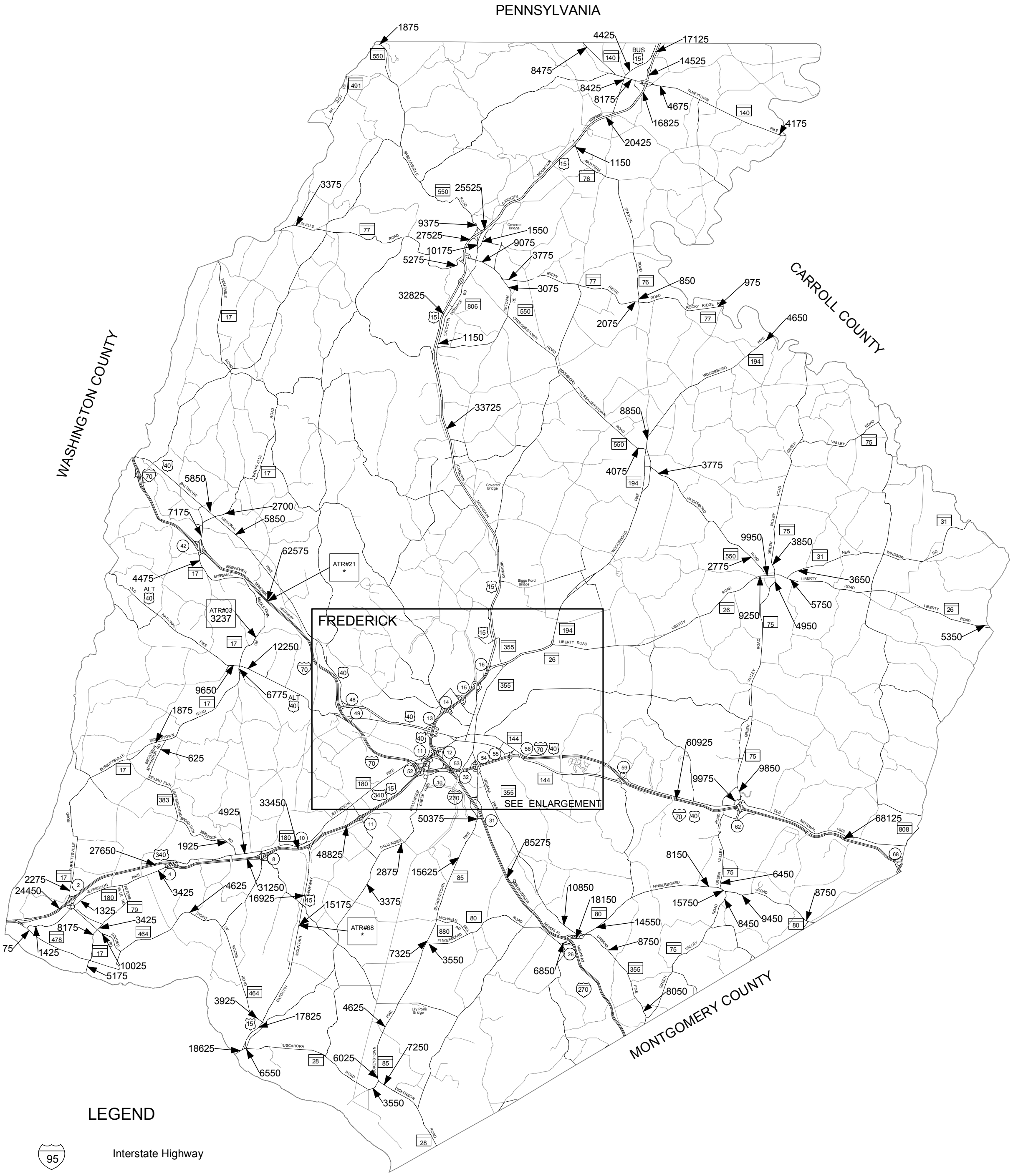
- These are intended to be TYPICAL characteristics of different properties, but actual characteristics may vary.
- In classifying properties, the user should select the classification which most closely fits a given property.
- The most important characteristics of each type are highlighted. While these characteristics are not "acid tests," they should guide the user in most instances.

Industrial Building A facility in which the space is used primarily for research, development, service, production, storage or distribution of goods and which may also include some office space. Industrial buildings are further divided into three primary classifications: **manufacturing**, **warehouse** and **flex** buildings. Typical characteristics of the different types of Industrial Buildings are shown in the matrix. Buildings must exhibit more than one of the characteristics but need not exhibit *all* characteristics to be considered under a specific classification.

Manufacturing Building[5] A facility used for the conversion, fabrication and/or assembly of raw or partly wrought materials into products/goods. Typical characteristics are shown in the matrix.

APPENDIX C

TRAFFIC MAP



LEGEND

95 Interstate Highway

US Highway

8 State Highway

ATR#42 56329 Permanent Traffic Counter Location

ATR#42 * Permanent Traffic Counter With No Data Available

TOLL#08 12345 Toll Station Location

The information in these maps is provided as a public service by the Maryland State Highway Administration (MSHA).

NOTICE:

Traffic Count Figures are estimates.
The traffic count estimates are derived by taking 48 hour machine count data and applying factors from permanent count stations.

Restriction of Liability:
SHA makes no claims, promises or guarantees about the accuracy, completeness, or adequacy of the contents of these maps and expressly disclaims liability for any errors and omissions in the contents of these documents.

N

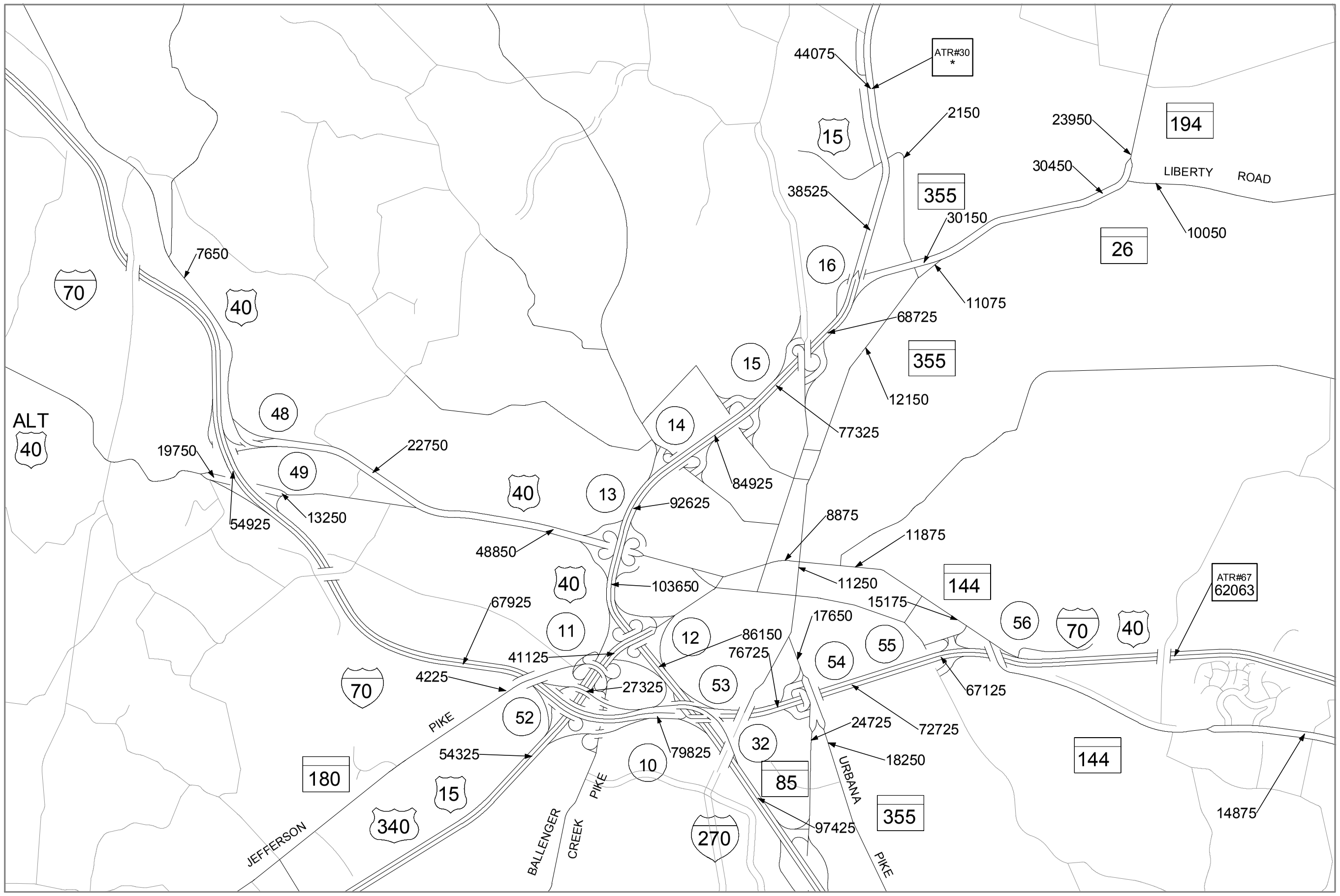
FREDERICK COUNTY TRAFFIC VOLUME MAP 2005

ANNUAL AVERAGE DAILY TRAFFIC

Prepared by the
Maryland Department of Transportation
STATE HIGHWAY ADMINISTRATION
HIGHWAY INFORMATION SERVICES DIVISION

0 1 2 3 4
Miles

Published Date: 03-01-2006



FREDERICK

LEGEND

95	Interstate Highway
1	US Highway
8	State Highway
ATR#42 56329	Permanent Traffic Counter Location
ATR#42 *	Permanent Traffic Counter With No Data Available
TOLL#08 12345	Toll Station Location

The information in these maps is provided as a public service by the Maryland State Highway Administration (MSHA).

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FREDERICK COUNTY
ENLARGEMENT
TRAFFIC VOLUME MAP
2005

ANNUAL AVERAGE DAILY TRAFFIC
Prepared by the
Maryland Department of Transportation
STATE HIGHWAY ADMINISTRATION
HIGHWAY INFORMATION SERVICES DIVISION

0 0.5 1 1.5 2 Miles

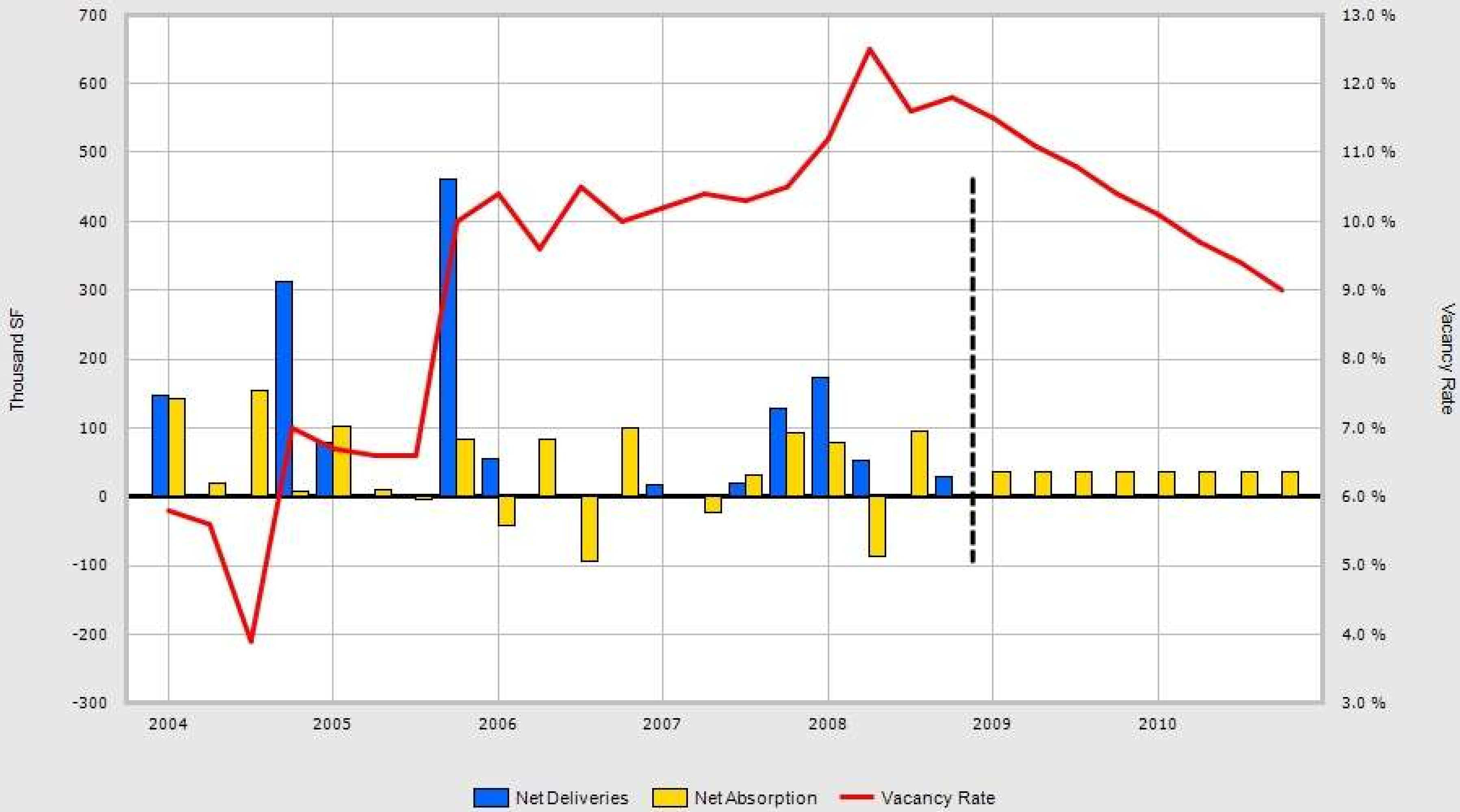
Published Date: 03-01-2006

10A

APPENDIX D

VACANCY & ABSORPTION

Forecast Report



Delivery Assumption: Known Construction Activity   Absorption Assumption: 100% of Previous 5-Year Average

10/9/2008

Forecast Report

Period	# of Deliveries	Rolling 2-yr Average Deliveries (SF)	Future Deliveries (SF)	Demolished (SF)	Net Deliveries (SF)	Rolling 2-yr Net Absorption (SF)	Net Absorption (SF)	RBA	Vacant Space (SF)	Vacancy Rate
2010 Q4	0	0	0	0	0	37,685	37,685	10,608,992	954,725	9%
2010 Q3	0	3,750	0	0	0	33,116	37,685	10,608,992	992,410	9.4%
2010 Q2	0	3,750	0	0	0	40,277	37,685	10,608,992	1,030,095	9.7%
2010 Q1	0	10,483	0	0	0	24,604	37,685	10,608,992	1,067,780	10.1%
2009 Q4	0	31,987	0	0	0	29,765	37,685	10,608,992	1,105,465	10.4%
2009 Q3	0	48,063	0	0	0	36,753	37,685	10,608,992	1,143,150	10.8%
2009 Q2	0	50,463	0	0	0	35,968	37,685	10,608,992	1,180,835	11.1%
2009 Q1	0	50,463	0	0	0	28,329	37,685	10,608,992	1,218,520	11.5%
Current Qtr	1	52,463	30,000	0	30,000	23,414	1,131	10,608,992	1,256,205	11.8%
2008 Q3	0	48,713	0	0	0	35,846	94,972	10,578,992	1,227,336	11.6%
2008 Q2	4	48,713	53,865	0	53,865	12,303	-87,693	10,578,992	1,322,308	12.5%
2008 Q1	1	41,980	172,030	0	172,030	33,727	78,968	10,525,127	1,180,750	11.2%
2007 Q4	1	27,476	128,610	0	128,610	18,414	93,590	10,353,097	1,087,688	10.5%
2007 Q3	2	69,140	19,200	0	19,200	17,290	31,406	10,224,487	1,052,668	10.3%
2007 Q2	0	66,740	0	0	0	12,874	-23,429	10,205,287	1,064,874	10.4%
2007 Q1	1	66,740	16,000	0	16,000	17,193	-1,635	10,205,287	1,041,445	10.2%
2006 Q4	0	74,731	0	0	0	30,338	100,587	10,189,287	1,023,810	10%
2006 Q3	0	113,844	0	0	0	18,770	-93,372	10,133,287	1,068,397	10.5%
2006 Q2	0	113,844	0	0	0	49,665	83,700	10,133,287	975,025	9.6%
2006 Q1	1	113,844	56,000	0	56,000	41,644	-43,535	10,133,287	1,058,725	10.4%
2005 Q4	3	125,094	461,920	0	461,920	64,876	84,598	10,133,287	1,015,190	10%
2005 Q3	0	67,354	0	0	0	64,206	-3,921	9,671,367	637,868	6.6%
2005 Q2	0	67,354	0	0	0	83,696	11,124	9,671,367	633,947	6.6%
2005 Q1	2	67,354	79,928	0	79,928	101,177	103,523	9,671,367	645,071	6.7%
2004 Q4	3	57,362	312,900	0	312,900	69,516	8,046	9,591,439	668,666	7%
2004 Q3	0	18,250	0	0	0	70,183	153,785	9,278,539	363,812	3.9%
2004 Q2	0	18,250	0	0	0	36,325	19,530	9,278,539	517,597	5.6%

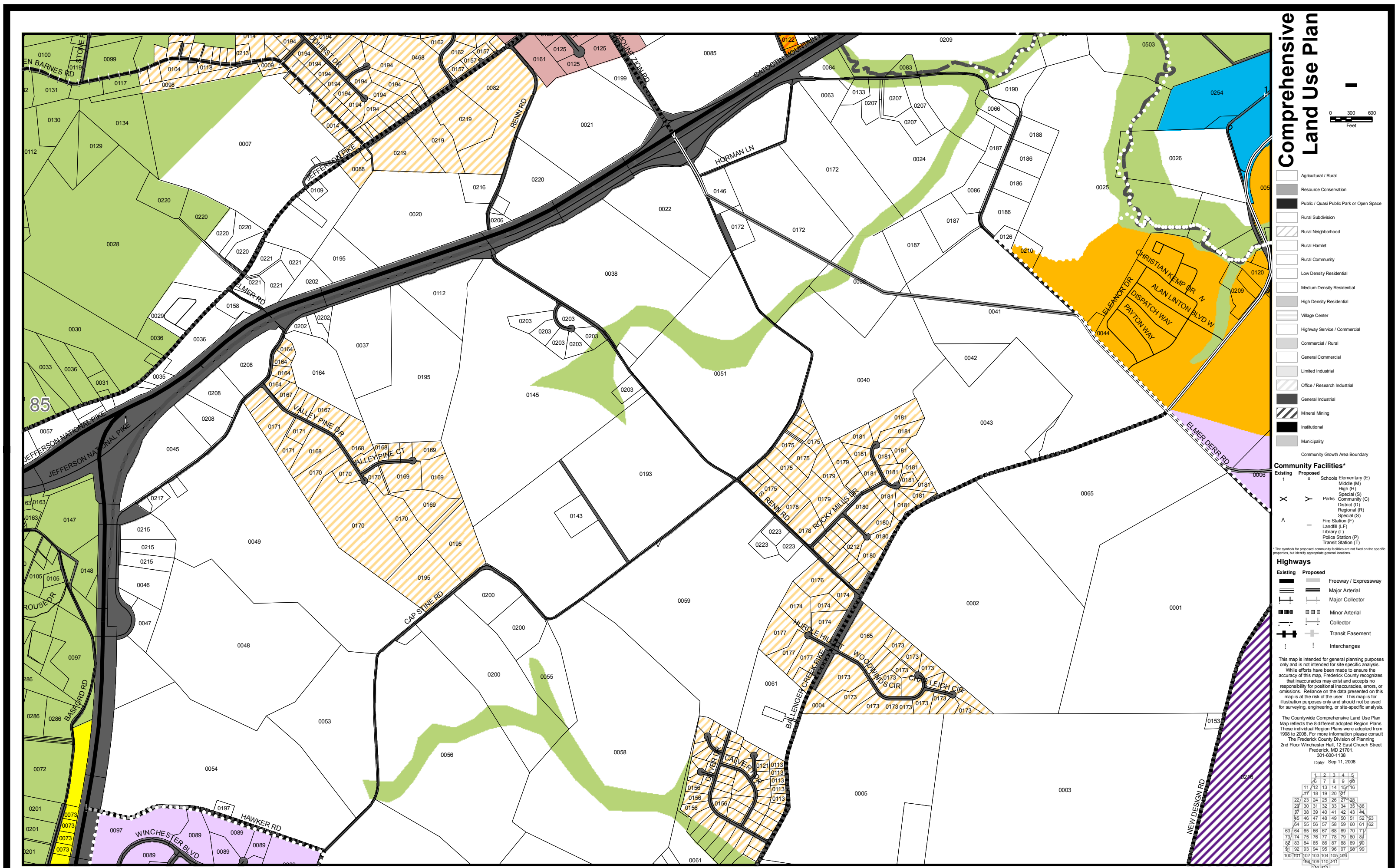
Forecast Report

Period	# of Deliveries	Rolling 2-yr Average Deliveries (SF)	Future Deliveries (SF)	Demolished (SF)	Net Deliveries (SF)	Rolling 2-yr Net Absorption (SF)	Net Absorption (SF)	RBA	Vacant Space (SF)	Vacancy Rate
2004 Q1	1	18,250	146,000	0	146,000	33,721	142,319	9,278,539	537,127	5.8%

Delivery Assumption: Known Construction Activity   Absorption Assumption: 100% of Previous 5-Year Average

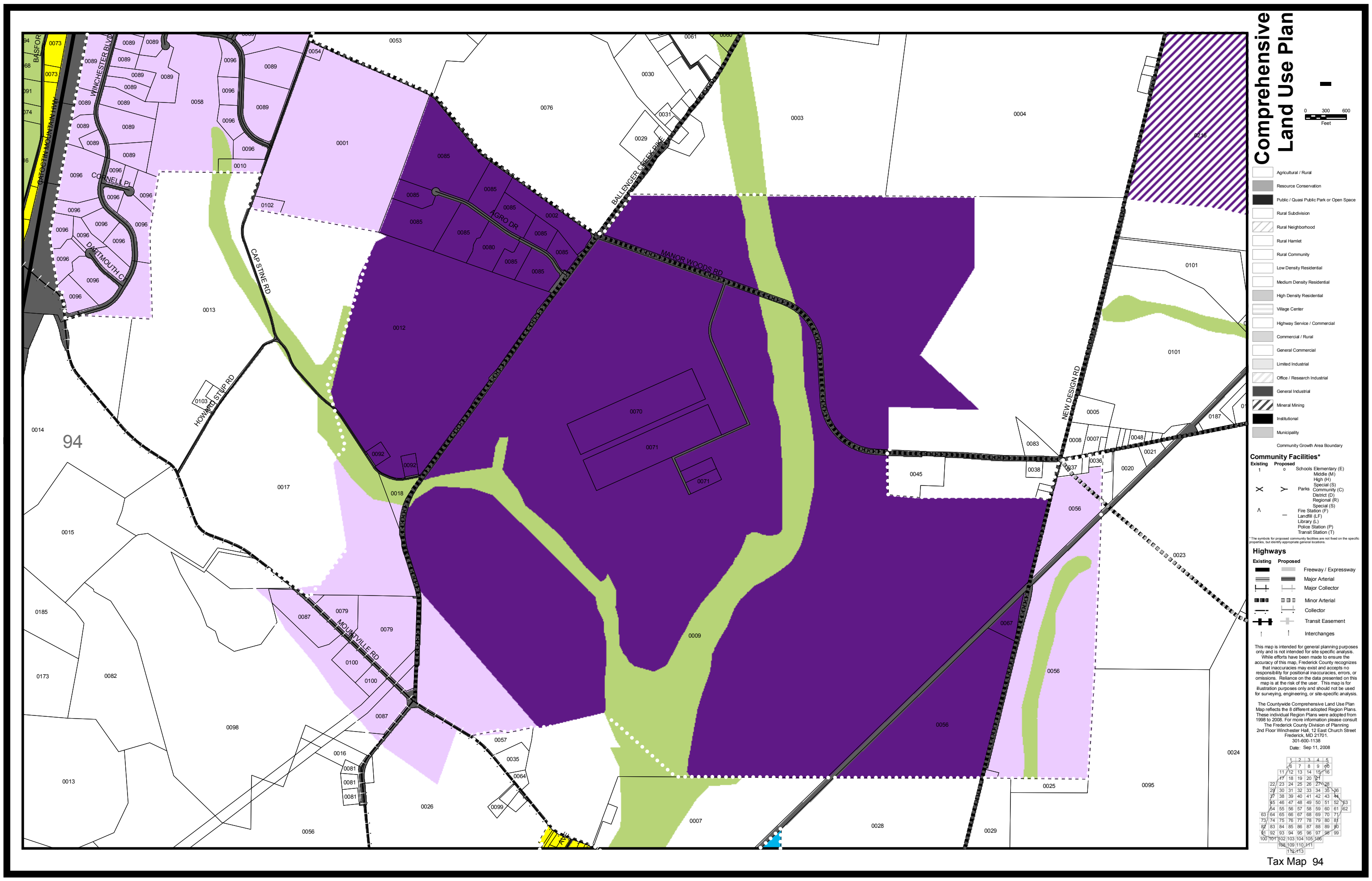
APPENDIX E

ZONING MAP



Comprehensive Land Use Plan
Agricultural / Rural
Resource Conservation
Public / Quasi Public Park or Open Space
Rural Subdivision
Rural Neighborhood
Rural Hamlet
Rural Community
Low Density Residential
Medium Density Residential
High Density Residential
Village Center
Highway Service / Commercial
Commercial / Rural
General Commercial
Limited Industrial
Office / Research Industrial
General Industrial
Mineral Mining
Institutional
Municipality
Community Growth Area Boundary
Community Facilities*
Existing
Proposed
Schools
Elementary (E)
Middle (M)
High (H)
Special (S)
Parks
Community (C)
District (D)
Regional (R)
Special (S)
Fire Station (F)
Landfill (LF)
Library (L)
Police Station (P)
Transit Station (T)
* The symbols for proposed community facilities are not fixed on the specific properties, but identify appropriate general locations.
Highways
Existing
Proposed
Freeway / Expressway
Major Arterial
Major Collector
Minor Arterial
Collector
Transit Easement
Interchanges
This map is intended for general planning purposes only and is not intended for site specific analysis. While efforts have been made to ensure the accuracy of this map, Frederick County recognizes that inaccuracies may exist and accepts no responsibility for positional inaccuracies, errors, or omissions. Reliance on the data presented on this map is at the risk of the user. This map is for illustration purposes only and should not be used for surveying, engineering, or site-specific analysis.
The Countywide Comprehensive Land Use Plan Map reflects the 8 different adopted Region Plans. These individual Region Plans were adopted from 1998 to 2008. For more information please consult The Frederick County Division of Planning 2nd Floor Winchester Hall, 12 East Church Street Frederick, MD 21701. 301-600-1138
Date: Sep 11, 2008
JEFFERSON NATIONAL PIKE
JEFFERSON PIKE
RENN RD
MOUNT ZION RD
HORMAN LN
CATOCTIN MOUNTAIN HWY
CHRISTIAN KEMP DR
ALAN LINTON BLVD W
DISPATCH WAY
PAYTON WAY
ELEANOR DR
ELMER DERR RD
VALLEY PINE DR
VALLEY PINE CT
ROCKY MILLS DR
S RENN RD
BALLENGER CREEK PIKE
HURDLE HILL DR
WOODWINDS CIR
CHRIS LEIGH CIR
CAP STINE RD
HAWKER RD
WINCHESTER BLVD
NEW DESIGN RD
CALVERT DR
ELMER RD
BARNES RD
85

Tax Map 85



Comprehensive Land Use Plan
0 300 600
Feet
Agricultural / Rural
Resource Conservation
Public / Quasi Public Park or Open Space
Rural Subdivision
Rural Neighborhood
Rural Hamlet
Rural Community
Low Density Residential
Medium Density Residential
High Density Residential
Village Center
Highway Service / Commercial
Commercial / Rural
General Commercial
Limited Industrial
Office / Research Industrial
General Industrial
Mineral Mining
Institutional
Municipality
Community Growth Area Boundary
Community Facilities*
Existing Proposed
Schools Elementary (E) Middle (M) High (H) Special (S)
Parks Community (C) District (D) Regional (R) Special (S)
Fire Station (F)
Landfill (LF)
Library (L)
Police Station (P)
Transit Station (T)
* The symbols for proposed community facilities are not fixed on the specific properties, but identify appropriate general locations.
Highways
Existing Proposed
Freeway / Expressway
Major Arterial
Major Collector
Minor Arterial
Collector
Transit Easement
Interchanges
This map is intended for general planning purposes only and is not intended for site specific analysis. While efforts have been made to ensure the accuracy of this map, Frederick County recognizes that inaccuracies may exist and accepts no responsibility for positional inaccuracies, errors, or omissions. Reliance on the data presented on this map is at the risk of the user. This map is for illustration purposes only and should not be used for surveying, engineering, or site-specific analysis.
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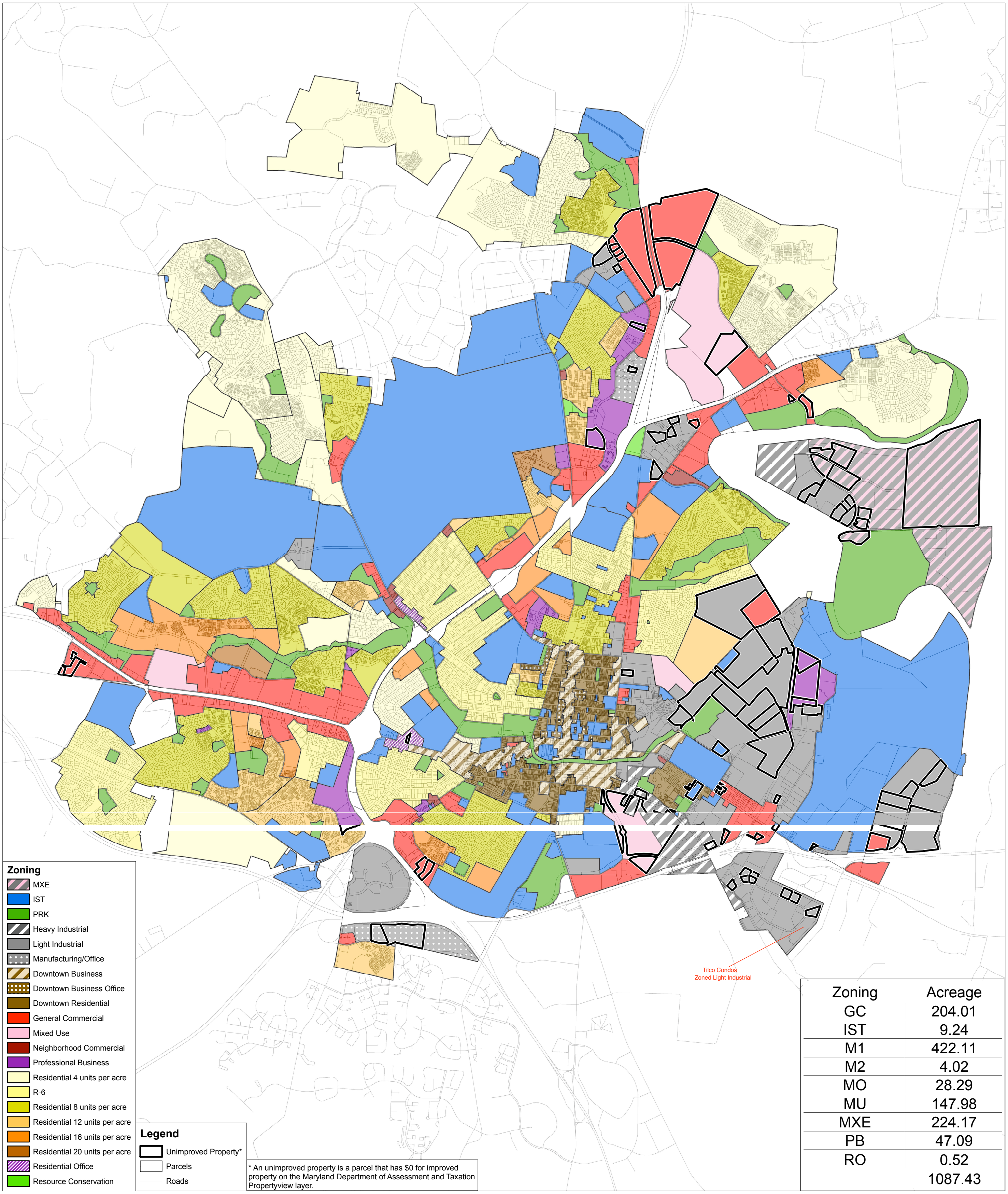
301-600-1138
Date: Sep 11, 2008
Tax Map 94
94
MANOR WOODS RD
BALLENGER CREEK PIKE
CAP STINE RD
NEW DESIGN RD
MOUNTVILLE RD
WINCHESTER BLVD
CORNELL PL
DARTMOUTH CT

Unimproved Commercial and Industrial Lots



* An unimproved property is a parcel that has $0 for improved property on the Maryland Department of Assessment and Taxation Propertyview layer.

Zoning	Acreage
GC	204.01
IST	9.24
M1	422.11
M2	4.02
MO	28.29
MU	147.98
MXE	224.17
PB	47.09
RO	0.52
	1087.43

Prepared by the
City of Frederick
Geographic Information System

Path Name: G:/Data

City of Frederick GIS

0 0.4 0.8 1.2 1.6 Miles

Note: This map is prepared solely for the purpose of illustrating the City of Frederick. It should be used for no other purpose. Data on this map was prepared from several original sources and is subject to change as source data changes. This map is not a legal document.

Sources: Maryland Departments of Assessments and Taxation

TFS 02/27/07

APPENDIX F

MARKET REPORTS

CB RICHARD ELLIS

MarketView Suburban Maryland Industrial

www.cbre.com/research

Third Quarter 2008

Quick Stats

	Current	Change from last Yr.	Change from last Qtr.
Vacancy	10.4%	↑	↑
Lease Rates	$9.22	↓	↓
Net Absorption*	(604,349)	↓	↓
Construction	.582M	↓	↓

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- Tenant activity in the 10,000 to 30,000 square foot range has shown movement. However, larger tenants are currently in a holding pattern.
- Activity in newer product has been consistent.
- Industrial sales have significantly dropped due to the weak economy and the current credit crisis.
- Development activity has slowed significantly due to supply exceeding demand

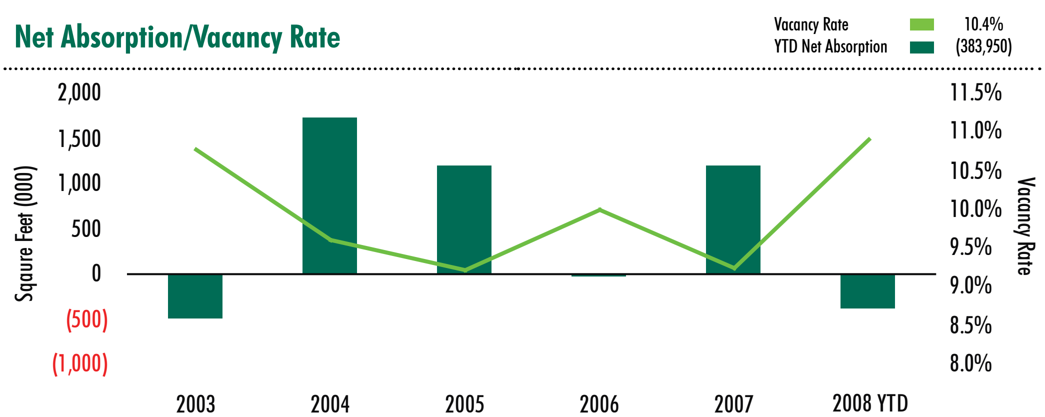
After a strong second quarter, the Suburban Maryland industrial market slowed over the third quarter. With slower demand in the area, net absorption was negative for only the second time in the past seven quarters. Slow leasing activity, several renewals and large blocks of newly vacated space put downward pressure on absorption. Just over 600,000 square feet returned to the market bringing the year-to-date total to 383,950 square feet of negative net absorption, and erasing all gains made earlier in the year.

Many of the leases signed during the quarter were in the 10,000 to 30,000 square foot range, which was lower than normal as larger tenants remained in a holding pattern. With an uncertain economy, more blocks of space could return to the market, which will continue to increase vacancy rates.

While leasing activity has slowed down, industrial sales have seen a major decrease in volume with the current financial situation. During the third quarter, only one warehouse building was sold at 400 Commerce Drive in Gaithersburg. With mortgage companies struggling, loans are difficult to obtain for these properties and should continue to affect the sales market into 2009.

Newer industrial buildings are seeing more leasing activity over the older products on the market. With better efficiency and newer technology, tenants are more attracted to these buildings, increasing vacancy in the older products. However, as older buildings are usually $1.00 to $1.50 cheaper per square foot to lease and tenants are looking to save money, tenants could become more focused on the value offered by older buildings in the future.

Net Absorption/Vacancy Rate

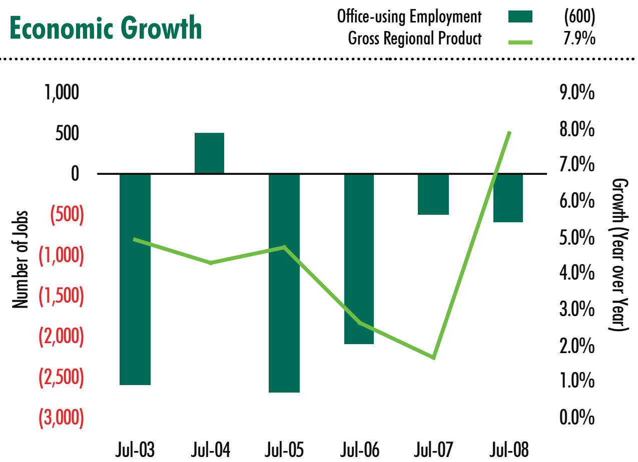


CBRE CB RICHARD ELLIS

Market Statistics

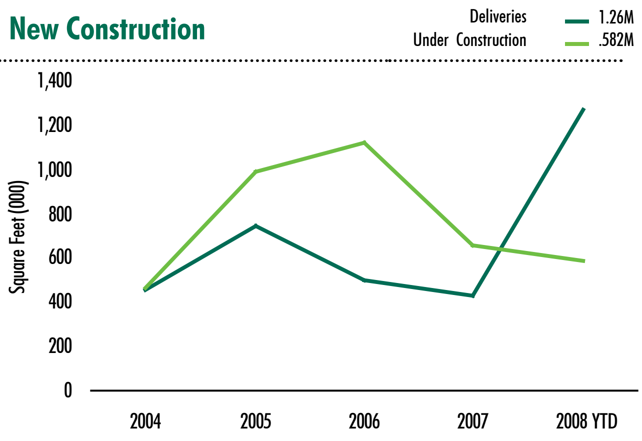
Jurisdiction	Inventory	Vacancy Rate %	3Q Net Absorption SF	Under Construction SF	Average Asking Lease Rate ($ SF/YR)	Availability Rate %
Frederick	10, 575, 898	15,35%	14,053	456,750	$9.67	17.3%
Montgomery	24,550,339	8.04%	(124,648)	-	$14.83	10.2%
Price George's	50,671,566	10.51%	(493,754)	125,878	$7.18	13.6%
Suburban Maryland	**85,797,803**	**10.40%**	**(604,349)**	**582,628**	**$9.22**	**13.1%**

Economic Growth



With the struggles of the national economy, the Suburban Maryland industrial market has felt the impact of continuing job losses. Industrial-using jobs have declined by 600 over the past year and this market has lost jobs every year for the past four. Since July of 2004, there are 5,900 fewer industrial-using jobs in the area. The sector seeing the biggest decline is manufacturing. With technological advances and struggling housing and retail markets, labor-intensive manufacturing jobs have been dropping for several years, according to the Bureau of Labor Statistics, and should continue to do so in the current weak economy. Both the transportation sector and wholesale trade sector remained flat with no growth over the past year. Expect these trends to continue into 2009.

New Construction



During the third quarter of 2008, seven buildings, totaling 368,707 square feet, delivered to the market bringing the year-to-date total to just under 1.3 million square feet of new space. In Frederick County, four warehouse buildings on International Boulevard were completed bringing 53,865 square feet of new vacant space. Prince George's County had one flex and two warehouse buildings totaling 314,842 square feet of finished construction. The flex building in The Brickyard development was preleased by Party Rental, LTD for 82,112 square feet. Three more buildings in The Brickyard remain under construction and should deliver by the end of the year. Also under construction are two flex buildings at the McKinney Business Center in Frederick that will also be completed during the fourth quarter.

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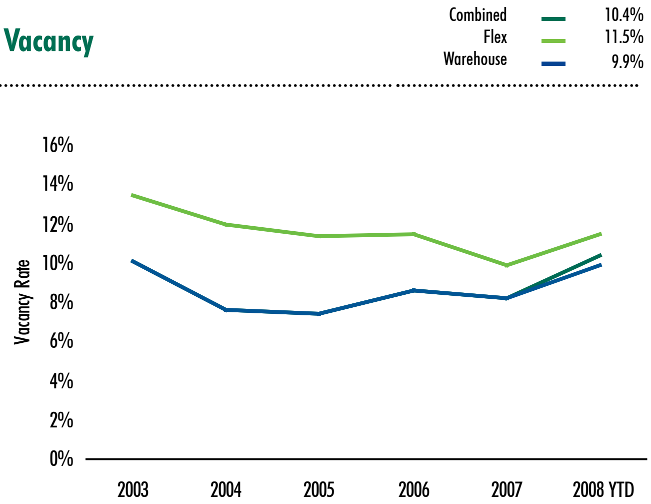
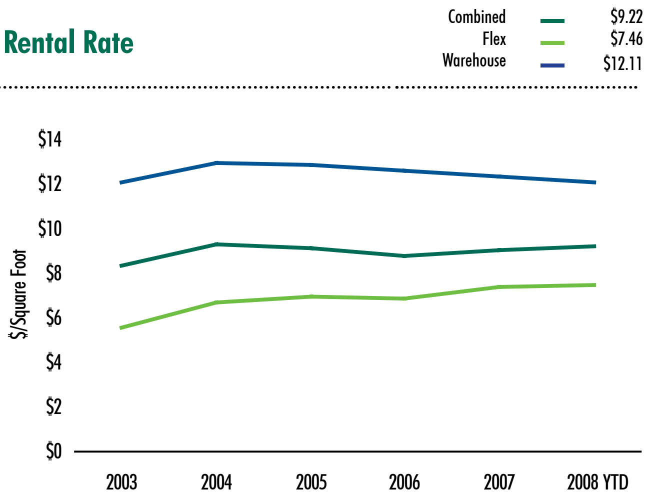
Vacancy



The Suburban Maryland industrial market saw decreased leasing activity and larger move-outs during the quarter. This, along with several vacant buildings being delivered to the market led the vacancy rate to increase from 9.2% during the second quarter to 10.4%. This is the first time the vacancy rate has been over 10 percent since the second quarter of 2006.

Both the warehouse and flex sectors saw increases in overall vacancy. Warehouse jumped from 8.3% to 9.9% over the third quarter mainly due to Circuit City leaving a 393,440 square foot distribution center, while flex increased from 10.9% to 11.5% over the same period. With more vacant buildings scheduled to deliver and companies continuing to downsize into smaller blocks of space, overall vacancy is expected to rise into 2009.

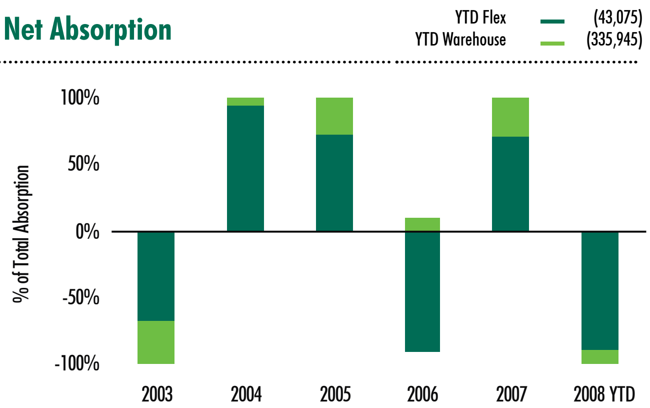
Rental Rate



The overall asking rate increased from $8.96 to $9.26 per square foot on a triple net basis during the third quarter. Rates in Montgomery County rose to $14.83 from $14.24 during the second quarter, while the asking rate in Prince George's County increased from $6.85 to $7.19. After strong leasing activity last quarter, asking rents were increased throughout the area.

While the combined asking rate increased, flex asking rates actually decreased to $12.11 per square foot from $12.25 during the second quarter. With demand remaining low for flex space, rates have steadily decreased throughout the year and should continue into 2009. With most of the leasing activity occurring in the warehouse sector, landlords have pushed rental rates with the average asking rate increasing from $6.99 to $7.49 per square foot during the third quarter.

Net Absorption



The Suburban Maryland industrial market gave back 604,349 square feet of space during the third quarter. A majority of this space came from the warehouse sector, recording 561,274 square feet of negative absorption, while the flex sector put 43,075 square feet back for lease. Prince George's County experienced the most space given back, totaling 493,754 square feet. Larger tenants vacating space included Circuit City leaving a 393,440-square-foot distribution center at 14301 Mattawoman Drive in Brandywine/PG South, and Victory Van Corporation downsizing 82,744 square feet to 142,074 square feet in Branch Avenue. With the retail market struggling and sales falling during the weak economy, a large tenant such as Circuit City was forced to shut down one of its warehouse distribution centers.

CBRE
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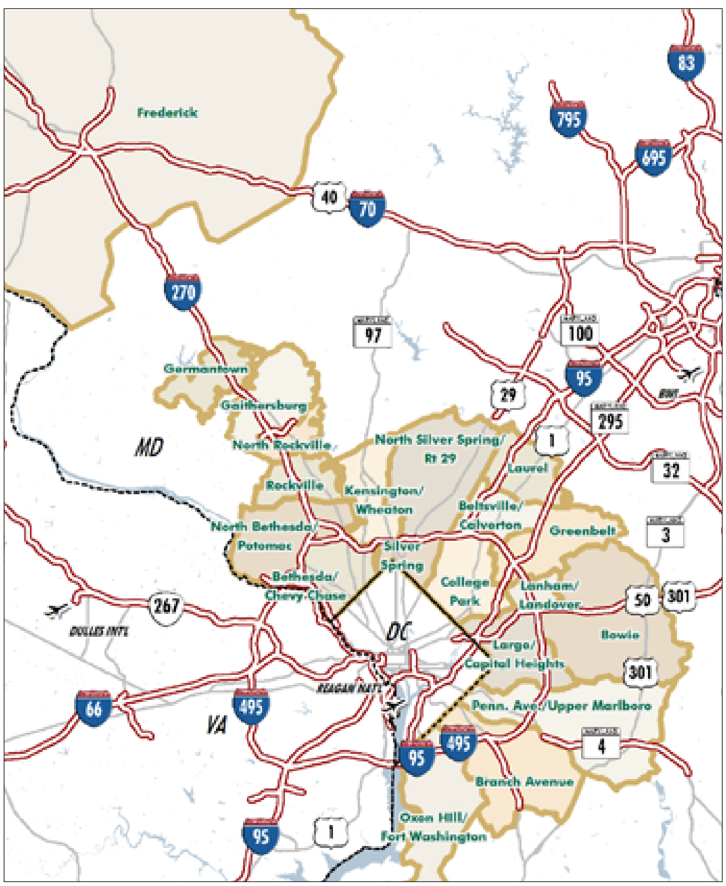
Top Lease Transactions

Size (Sq. Ft.)	Tenant	Address
120,000	Iron Mountain*	4451 Georgia Pacific Boulevard
96,515	DPI Mid Atlantic	15850 Commerce Court
23,600	Cornerstone Equipment Management	1739 Brightseat Road
18,120	United Sheet Metal	1739 Brightseat Road
18,000	Create Tivo	7901 Trading Lane

*Prelease

Submarket Map



Average Asking Lease Rate
Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Net Leases
Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage
Includes all competitive office buildings 10,000 square feet and greater in size.

Net Absorption
The change in occupied square feet from one period to the next.

Net Rentable Area
The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

Occupied Area (Square Feet)
Building area not considered vacant.

Under Construction
Buildings which have begun construction as evidenced by site excavation or foundation work.

Available Area (Square Feet)
Available Building Area which is either physically vacant or occupied.

Availability Rate
Available Square Feet divided by the Net Rentable Area.

Vacant Area (Square Feet)
Existing Building Area which is physically vacant or immediately available.

Vacancy Rate
Vacant Building Feet divided by the Net Rentable Area.

Normalization
Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

For more information regarding the MarketView, please contact:
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Economy Office Industrial Retail Multifamily

Economy: Third Quarter 2008

Economic Growth Cools -- But Remains Well Ahead of the Nation

Prepared with the invaluable assistance of Dr. Stephen Fuller

The Washington area economy continued to grow jobs at 66% of its long term average rate -- 35,400 jobs in the 12 months ending in July -- compared to a long term average of 53,400 per annum. With a low unemployment rate and one of the strongest economic bases, the metro area remains one of the top economic centers in the nation. Among major metro areas, only the oil-patch communities of Dallas and Houston exceeded Washington in job growth.

Payroll employment increased 35,400 in the Washington metro area over the 12 months ending July 2008, ranking 3rd among large metro areas in the nation. This pace of growth, compared to the 15-year average of 53,400 per annum, feels like a significant slow down, especially after growth levels of 55,000 to 60,000 in 2003-2006. But it is sturdy enough to support a healthy commercial real estate market if production of new space is held in check.

The Washington area **unemployment rate** ticked up 90 basis points during the past year to 4.1% in July 2008. The Washington metro area has the lowest unemployment rate among comparable metros and compares favorably to the national rate of 5.7% in July 2008.

The Washington area's **gross regional product** (GRP) was $367.9 billion in 2007, an increase of 5.6% from revised 2006 figures. We expect the GRP to grow 2.5% in 2008.

We expect the Washington metro area economy to make modest gains in 2008, as the aftermath of the Credit Crunch continues to unfold. Although we expect growth to slow this year, we anticipate modestly improving conditions in 2009, with healthier progress in 2010 as the economy regains its footing.

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Office: Third Quarter 2008

Metro Area Market Remains a Top National Performer; Vacancy Inches Up and Rents Flatten

Net absorption, improved from the first half of the year, is still below the long-term average. With a large pipeline of development, vacancy increased and rent growth halted. Although annualized groundbreakings have eased compared to 2007, they remain high, particularly in the District. Despite softening conditions, the metro area remains one of the top performing markets in the nation.

Third Quarter 2008 Market Highlights:

- **Net absorption:** 1.4 million SF, compared to the long-term quarterly average of 2.0 million SF.

- **Sublease space:** Increased by 12,000 SF. Sublease space represents 1.2% of the standing inventory.
- **Overall vacancy rate:** 10.1%, up from 8.6% one year ago.
- **Direct vacancy rate:** 8.9%, up from 7.4% one year ago.
- **Space under construction:** 18.3 million SF, unchanged from one year ago.
- **Pre-lease rate:** 23%, compared to 24% a year ago.
- **Rents:** Up 0.2% YTD, compared to rising 2.2% in all of 2007.
- **Investment sales:** $2.9 billion YTD, compared to $10.6 billion YTD in 2007. Average sale price: $412/SF.

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Flex/Industrial: Mid-Year 2008

Market Conditions Moderate; Vacancy Rises; Rent Growth Minimal

The Washington/Baltimore flex/industrial market experienced slowing conditions during the first half of 2008, after closing 2007 on strong footing. Although demand was steady during the past six months, it was not enough to keep up with tenants vacating space. Given this, rent growth moderated. The amount in the construction pipeline is easing, which allowed demand to catch up with the new supply – as reflected in the rise in the pre-lease rate. Overall, flex/industrial conditions are stable in the Washington/Baltimore region, as conditions are easing off of the robust part of the cycle.

First Half 2008 Market Highlights:

- **Net absorption:** 1.9 million SF, compared to 6.6 million SF in 2007.
- **Sublease space:** Declined by 466,000 SF. Available sublease space represents just 0.6% of standing inventory.
- **Overall vacancy rate:** 9.8%, up from 9.6% one year ago.
- **Direct vacancy rate:** 9.2%, up from 9.0% one year ago.
- **Under construction:** 5.1 million SF, down from 7.0 million SF one year ago. 27% pre-leased, compared to 19% one year ago.
- **Space delivered:** 3.9 million SF at mid-year 2008, compared to 6.4 million SF in 2007. 20% of space delivered at mid-year 2008 was leased upon delivery, compared to 27% in 2007.
- **Rents:** Up 0.4%, when annualized, compared to rising 2.8% in 2007.
- **Investment sales:** $407 million, compared to $1.5 billion in 2007. Average sales price: $111/SF.
- **Land Sales:** $9.0 million, compared to $149.7 million in 2007. Average price per land SF: $8.16.

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Retail: Spring 2008

Washington Retail Market

Retail job growth has slowed in the metro area as consumer spending has declined due to the economic slowdown. However, Washington retail remains sturdy as retail jobs grew at 0.1% in the metro area over the past year, compared to a decline of 0.7% nationally.

Incomes in the Washington metro area grew by 21.5% from 2000 to 2007, compared to 17.8% nationally. Compensation in the metro area has risen at a faster pace compared to other areas, as high-level positions are difficult to fill with qualified candidates due to a low unemployment rate; this has prompted companies to use high salaries as a lure. By 2012, the Washington metro area's average household income is projected to be $110,300, compared to $73,700 nationally.

The Washington metro area has over 116.0 million SF of retail space, inclusive of all types of retail, in just over 1,000 shopping centers. Northern Virginia is home to 52% of the total metro retail inventory.

The metro area has 24.3 SF of retail space per capita, compared to the national average of 20.0. The area remains underserved as the growing population continues to demand retail services, particularly in the District of Columbia where there is just 8.7 SF of retail space per capita.

Just over half of the Washington area shopping centers are over 25 years old, while only 16% are aged 10 years or less. Although new retail projects have entered the market, older centers remain the bulk of retail space. New centers, along with renovations to the existing stock, are necessary to keep up with demand. However, renovations might be slow to progress, given the long-term strength of the retail market. Owners might be reluctant to contribute capital when returns are solid with or without renovations. This should start to shift as new centers deliver and customers are lured by updated product and a new mix of retail.

According to NCREIF's Washington area retail data, the average total investment return for the 12 months ending in December 2007 was 19.30%, exceeding the national average of 13.51%. Washington's strong market fundamentals and high disposable income have positioned local returns ahead of the national average, and those of most other metro areas.

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Class A Apartments: Third Quarter 2008

Washington Absorption Sets New Record as Rents Continue Upward and Pipeline Declines. Occupancy Remains High, Transaction Volume Muted.

Highlights of market performance as of Third Quarter 2008:

- The region's **stabilized vacancy rate** for investment grade apartments (Class A and B) increased to 3.0% from 2.7% a year ago. With the national rate of 6.0%, this is one of the lowest vacancy rates of any metro area in the nation. But it is an elevated rate by local historic standards.
- **Rent increases** over the past 12 months for all investment grade product remained below the long-term average of 4.5% per annum – at 2.9% since September 2007. Class A rents grew by 1.1% during this period, compared to a decline of -0.8% at third quarter 2007.
- Annual **net absorption**, at 7,583 Class A and B apartments, continued to strengthen, from its slow down in late 2006 to mid 2007. Annual Class A absorption continued its upward climb to 6,872 units – 1st in the U.S. and the highest we have ever recorded for the Washington metro. Average monthly absorption at new projects declined slightly to 15 units per month. However this rate is still remarkable, as the number of projects marketing has increased by over 50% since last year.
- **Concessions** at Class A projects continued to move higher, to 4.3% of face rent, compared to third quarter 2007, which were 3.6% of face rent. This upward trend began in the first quarter of 2007.
- **Pipeline**: After rising from a historically low 18,000 units in 2005, pipeline ballooned to 36,951 units in December 2007, largely driven by the reversion of condominium projects. In the first quarter of 2008, the pipeline appears to have begun its cyclical decline, and has continued downward to 29,322 as of third quarter 2008. We will likely look back at 4th quarter 2007 as the peak of apartment pipeline during this business cycle.
- **Investment Sales:** 2008 is significantly off the pace of prior record setting years. So far in 2008, we note $850.71 million of multifamily Class A building sales closed (comprising 9 garden apartment and 2 high-rises, and $126 million of land to construct new apartments). The sales volume compares to $1.26 billion through the third quarter of 2007. The land sale total is off dramatically from the $486 million recorded through the third quarter of 2007. This is a potential indicator of a slow-down in the pipeline of oncoming supply in future years.

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Condominium: Third Quarter 2008

Condo Prices Holding Up Better Than Singles As Pipeline Continues to Shrink. Net Sales Volume Disappoints. Fannie/Freddie Takeover Results in Lower Interest Rates.

New condo construction hs come to a halt. Continued sales and reversion of projects to rental have driven the condo pipeline to its lowest level since 2004. This bodes well for market equilibrium in select submarkets as early as late 2009.

Highlights of market performance as of Third Quarter 2008:

- **Volume:** New unit sales volume (defined as net binding contracts written with security deposits up) during the 3rd quarter was 262 units, half the amount of units sold in the prior quarter..
- **Prices:** While holding up much better than the single-family market, condo prices have dropped. Effective new condo prices were down 3.6% metro-wide from a year ago with bigger declines in Suburban Maryland. Resale prices declined by 8.1% during the past 12 months.
- **Concessions:** Concessions averaged 4.2% of the purchase price in the 3rd quarter, up 70 basis points from the 2nd quarter but down slightly from one year ago.
- **Pipeline:** There are currently 11,955 unsold condominium units that are actively marketing in the metro area. There now is 8.2 years worth of inventory of product on the market at current rates of sales velocity in the metro area. Most of Suburban Maryland is less than the metro average.
- **Sales pace:** Projects that have sold out in the past two years have averaged about four sales per month. No significant projects entered the market this quarter. Upon delivery, projects are seeing buyers fail to settle -- back out of sales contracts -- from 15% to 50%, or higher in a few cases.

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Class B Apartments: Third Quarter 2008

Rents Continue To Rise, Vacancy Edges Down. Suburban Maryland Performs Best.

Class B apartment rents are up and vacancy rates down year-over-year.

- Average rent rates increased to $1,366, up 5.2% from a year ago.
- Vacancy decreased by 40 basis points to 2.9% during the same period.

Value-Added Strategy: Renovation

Opportunities continue for renovating existing B and C grade properties. In our view, these opportunities can be the most profitable where the rent spread is widest between Class A and Class B (or Class C) rents. Owners appear to be recognizing this, as Delta has noted an active renovation environment, especially in Suburban Maryland and Northern Virginia.

Sales of Apartment Buildings: Volume Lower, Value Still Strong

During the first eight months of 2008, there have been 21 Class B apartment sales noted, five high-rises and sixteen garden properties totaling 8,766 units. The garden properties traded at an average price of $102,491 per unit and the high-rise sales averaged $178,359 per unit. Last year at this time there were 32 garden properties sold averaging $123,012 and six high-rise sales averaging $120,459.

To view and/or download a sample report in an Adobe Acrobat PDF file, **click here**.

APPENDIX G

COMPARABLE PROPERTIES ANALYSIS

SUMMARY OF LOT SALE COMPARABLES

Comp. #	Parcel Location	Date of Sale	Gross Building Size (SF)	Total Sale Price	Sale Price Per Building SF
Subject	Stanford Lot 34	***N/A***	8,610	$ 450,000	$2.17
2	Tilco Condo lots	***Feb-06***	5,180	$ 2,049,000	$5.97
3	Reich Ford Rd (pending)	***Nov-08***	56,600	$ 699,000	$11.71
4	Tilco Lot 336	***Aug-08***	2,250	$ 1,300,000	$12.75
5	Tilco Lot 334	***Sep-06***	32,314	$ 850,000	$8.03
6	Wedgewood Lot 16B	***Sep-08***	9,100	$ 530,000	$7.60
7	Wedgewood Lot 21	***Aug-08***	1,875	$ 570,653	$5.98
8	Stanford Lot 36	***Sep-04***	8,610	$ 233,000	$2.05
9	Stanford Lot 28	***Oct-07***	8,610	$ 285,000	$2.12
				Unadjusted Average:	**$7.18**

SUMMARY OF BUILDING SALE COMPARABLES

Comp. #	Parcel Location	Date of Sale	Gross Building Size (SF)	Total Sale Price	Sale Price Per Building SF
Subject	Tilco Condo	***Nov-07***	8,610	$ 1,136,520	$132.00
1	Industry way	***May-07***	5,180	$ 540,000	$104.25
2	Tech Way	***Jun-05***	56,600	$ 7,000,000	$123.67
3	Metro Ct	***May-05***	2,250	$ 259,000	$115.11
4	Metro Ct	***Mar-06***	32,314	$ 2,780,000	$86.03
5	Pine Av	***Sep-05***	9,100	$ 725,000	$79.67
6	Tyler Pl	***Oct-07***	1,875	$ 230,000	$122.67
7	Carroll Creek	***Feb-08***	4,610	$ 650,000	$141.00
8	Reichs Ford	***May-07***	28,083	$ 4,350,000	$154.90
9	Powell Rd	***Aug-07***	7,120	$ 600,000	$84.27
10	Westview	***Jun-07***	9,925	$ 880,000	$88.66
11	Industry Lane	***Jun-07***	9,748	$ 1,300,000	$133.36
12	Tilco Condo	***Mar-08***	4,350	$ 604,650	$139.00
13	Tilco Condo	***May-08***	4,350	$ 569,850	$131.00
14	Tilco Condo	***Apr-08***	17,040	$ 1,840,320	$108.00
15	Hillmark	***Nov-07***	5,160	$ 837,500	$162.31

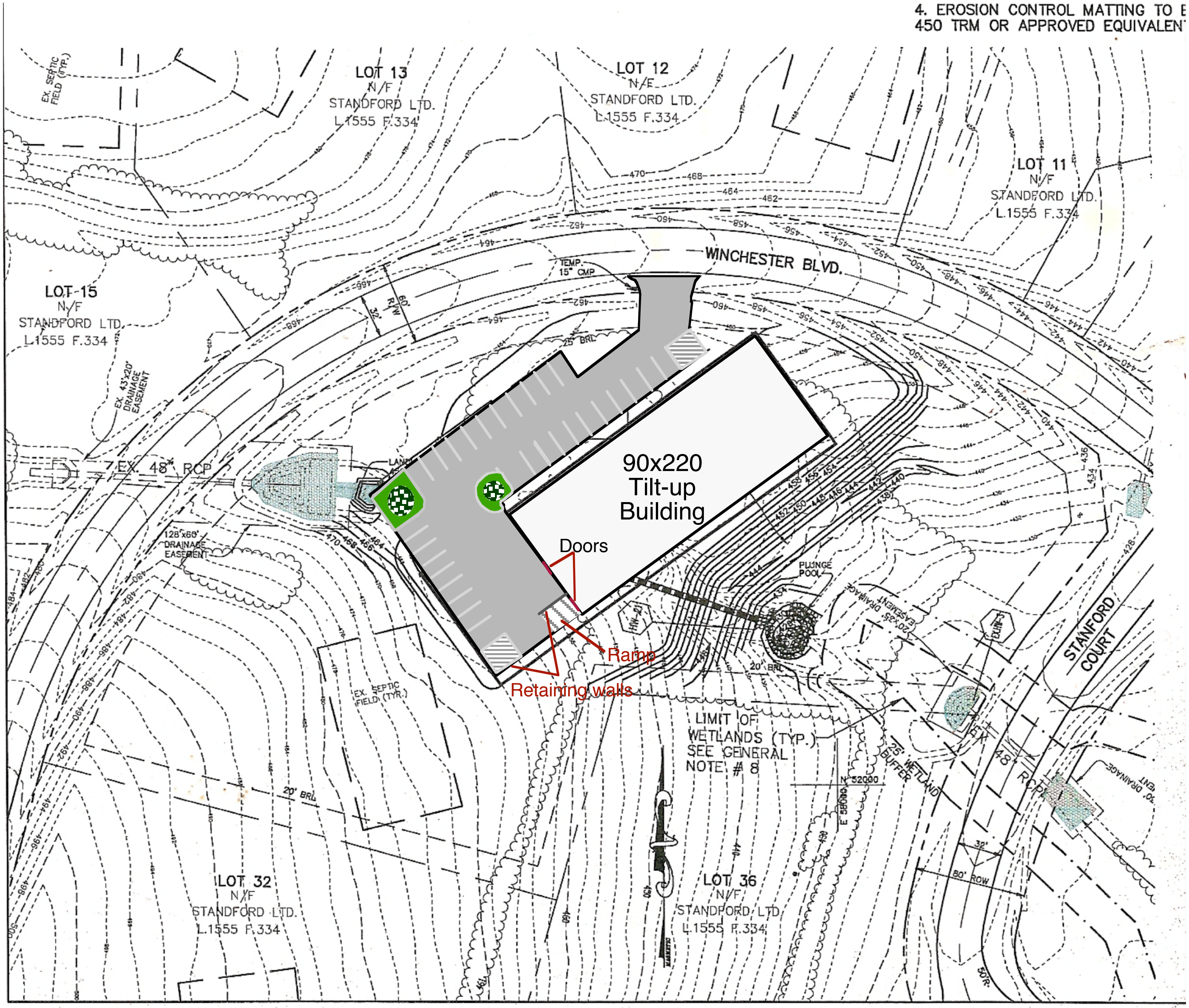
Unadjusted Average: **$119.26**

SUMMARY OF LEASE COMPARABLES

Comp. #	Parcel Location	Gross Building Size (SF)	Unit Size (SF)	Lease Rate	Parking Per Thousand SF
Subj.	***Tilco Condo***	***90,180***	***22,000***	***$7.50***	***1.00***
1	Bristol 4	*18,000*	18,000	$6.75	1.00
2	5633 Cornell	*30,000*	30,000	$7.50	1.30
3	4510 Metrolpolitan Pl	*9,800*	9,800	$7.80	0.85
4	Hughes Ford Road	105,300	10,000	$7.50	1.00
5	Wedgewood	10,000	10,000	$6.95	0.75
6	3903 Cornell	13,200	2,640	$7.50	1.50
7	4840 Winchester Blvd	34,300	5,000	$7.75	1.30

APPENDIX H

GRADING & SITE PROOF OF CONCEPT



Building, Parking & Loading Proof of Concept

APPENDIX I

DEVELOPMENT & CONSTRUCTION SCHEDULE

STANFORD LOT 34 DEVELOPMENT & CONSTRUCTION SCHEDULE

	Activity Name	Start Date	Finish Date
1	COMMIT TO PROJECT	1/12/09	
2	APPLY FOR LOAN	1/12/09	2/6/09
3	SETTLE ON LOT	2/9/09	2/13/09
4	APPLY FOR GRADING PERMIT	1/12/09 1/12/09	2/20/09
5	NEGOTIATE CONSTRUCTION CONTRACT	1/12/09	2/6/09
6	START BUILDING DESIGN	2/8/09 6/15/09	6/12/09 6/15/09
7	APPLY FOR SITE PLAN APPROVAL	3/16/09	4/17/09
8	STAKE OUT ROUGH GRADE	4/20/09	5/7/09
9	BEGIN GRADING	5/11/09	6/26/09
10	UTILITIES	5/18/09	10/9/09
11	STAKE OUT FOUNDATION	6/29/09	7/3/09
12	POUR FLOOR SLAB	7/6/09	7/10/09
13	FORM WALLS	8/3/09	8/21/09
14	POUR WALLS	8/24/09	8/28/09
15	STRIP FORMS PREP WALLS	9/7/09	9/18/09
16	TILT WALLS	9/21/09	9/25/09
17	BEAMS & TRUSSES	9/28/09	10/23/09
18	PAVING	9/28/09	10/9/09
19			
20	ROOF DECKING	10/12/09	11/13/09
21	ROOF MEMBRANE	10/26/09	11/27/09
22	SIDEWALKS	11/16/09	12/4/09
23	WINDOWS & DOORS	11/2/09	12/4/09
24	CLEAN-UP	11/23/09	12/25/09
25	HYDRO-SEED	12/7/09	12/18/09
26	FINAL INSPECTION	12/21/09	
27	PERM LOAN CLOSING	1/11/10	

2009: January, February, March, April, May, June, July, August, September, October, November, December
2010: January

JOHN KIRKLAND

APPENDIX J

CONSTRUCTION BUDGET

Lot 34 - Stanford Industrial Park

Parker Cade & Large INCORPORATED

PO Box 147
Woodbine MD 21797

PMADC
Frederick MD 21704

Date: 04/08/08 | No. Units 14,659.00
Time Due: | Estimator(s): FD

		SPEC SECTION	DESCRIPTION		Budget
1		02000	ALLOWANCES		6,000
2		02010	A&E		9,000
3		02100	UTILITIES		11,476
4		02260	ASPHALT PAVING		22,000
5		02315	SITE DEMOLITION		0
7		02316	ROUGH GRADING		334,550
8		02391	CONCRETE		370,626
9		02531	SITE IMPROVEMENTS		127,409
10		02780	LANDSCAPING		2,963
12		04000	MASONRY - Allowance		3,584
13		05120	STEEL		43,500
14		06100	CARPENTRY - Allowance		3,900
16		06200	WOOD TRIM		0
18		07100	STUCCO		0
20		07200	ROOFING		41,036
21		07500	FLASHING		3,722
22		07600	CAULKING - Allowance		2,400
23		08100	COMMERCIAL STEEL DOORS		1,500
25		08300	ROLL-UP DOORS		2,150
26		08350	STOREFRONT SYSTEMS		8,800
29		09200	DRYWALL		0
30		09300	CERAMIC TILE -		0
31		09560	FLOORING		0
34		09900	CANOPIES		8,745
35		10000	SPECIALTIES		650
38		15300	PLUMBING		4,563
39		15400	SPRINKLER		4,265
40		15500	MECHANICAL		0
42		16100	ELECTRICAL		960
43		17000	PROTECTION		980
44		18000	TEMPORARY CONSTRUCTION		600
			SUBTOTAL		**1,329,129**
			SUB-CONTRACTOR BONDING COSTS (FILL IN COST MANUALLY)		
			DISCOUNT	**0.00%**	
			SUB BOND		
			SUBTOTAL WITH DISCOUNT		
			PCL GENERAL CONDITIONS	8.08%	29,700
			OVERHEAD	2.00%	24,750
			BUILDERS RISK INSURANCE	0.32%	
			INSURANCE BURDEN	0.86%	
			BUSINESS / MERCANTILE TAX		
			PERMIT - BY OWNER		
			ALLOWANCES		
			SUBTOTAL		
			P & P BOND COST	0.90%	
			Contractors Contingency		1,830
			SUBTOTAL		
			FEE / MARK-UP	**3.00%**	19,800
			TOTAL		**1,405,209**

APPENDIX K

DEVELOPMENT BUDGET

SOURCES OF FUNDS	Amount
Construction/Permanent Loan	$ 1,319,010
Owners Equity	$ 940,019
TOTAL USES OF FUNDS	$ 2,259,029
USES OF FUNDS	
Land	$ 400,000
Total Acquisition	***$ 400,000***
Construction Costs	
VerticalConstruction	$ 693,000
Hard Cost Contingency @ 10%	$ 139,000
Permits	$ 6,500
Land Improvements / Site Improvements	$ 334,550
Land Improvements / Proffered Infrastructure	$ 127,409
Landscape	$ 9,000
General Requirements	$ 29,700
Builder's Overhead	$ 24,750
Builder's Profit	$ 19,800
Architecture & Engineering	$ -
Design	$ 12,500
Geotechnical reports & monitoring	$ 9,000
Soft Cost Contingency (3%)	$ 1,830
Total Hard Costs	***$ 1,405,209***
Construction Financing - Construction Loan Fee	$ 3,500
Construction Lender Legal Fees	$ 1,500
Construction Lender Inspection Fee	$ 2,500
Capitalized Interest During Construction	$ 63,000
Accounting and Cost Certification	$ 625
Owner/Developer Legal Counsel	$ 1,500
Professional Fees - Builder's Risk Insurance	$ 4,000
Third Party Due Diligence Reports	$ 3,500
Title/Recording/Closing Costs	$ 1,100
ALTA Survey	$ 4,000
Interim Insurance	$ 1,700
Interim Taxes	$ 4,841
Marketing	$ -
Soft Cost Contingency (3%)	$ 1,830
Total Soft Costs	***$ 93,596***
Development Fee - Paid at Closing Through Completion	$ 150,000
Development Overhead	$ 25,000
Total Developer Fee	***$ 175,000***
Financing Fees - Permanent Loan	$ 20,000
LenderApplication Fee	$ 3,500
Mortgage Recordation Tax	$ 33,000
Construction Loan Fee	$ 3,500
Financing Contingency	$ 3,000
Total Financing Costs	***$ 63,000***
Debt Service Reserve Fund	$ 32,224
Internet Access	$ 90,000
Total Reserves & Misc	***$ 122,224***
TOTAL USES OF FUNDS	$ 2,259,029

John Kirkland

APPENDIX L

BUILD PRO-FORMA

Annual Property Operating Data

Property Name	Stanford Lot 34 - Build Alternative	
Location	Frederick County MD	
Type of Property	Light Industrial	
Size of Property	19,800	(Sq. Ft./Units)
Purpose of analysis	Feasibility Study	

Purchase Price	2,259,029
Plus Acquisition costs	
Plus Loan Points	
Less Mortgages	1,319,010
Equals Initial Investment	940,019

Assessed/Appraised Values

Land	32	32%
Improvements	68	68%
Personal Property		
Total	100	100%
Adjusted Basis as of:	2-Dec-08	$2,259,029

	Balance	Periodic Pmt	Pmts/Yr	Interest	Amort Period	Loan Term
1st	$1,319,010	$9,070	12	7.33%	30	10
2nd			12			

	ALL FIGURES ARE ANNUAL	$/SQ FT or $/Unit	% of GOI			COMMENTS/FOOTNOTES
1	**POTENTIAL RENTAL INCOME**	7.50			148,500	
2	Plus: Other Income (affected by vacancy)				32,193	NNN Reimbursables
3	Less: Vacancy & Cr. Losses		(	of)		100% pre-leased for 10 years
4	**EFFECTIVE RENTAL INCOME**				180,693	
5	Plus: Other Income (not affected by vacancy)				6,000	Management fee
6	**GROSS OPERATING INCOME**				186,693	
	OPERATING EXPENSES:					
7	Real Estate Taxes	1.26		24,867		
8	Personal Property Taxes					
9	Property Insurance					
10						
11						
12						
13	Administrative	0.09		1,782		
14	Repairs and Maintenance					
	Utilities:					
15						
16						
17						
18						
19	Accounting and Legal	0.20		3,960		
20	Licenses/Permits	0.08		1,584		
21	Landscape					
22	Supplies					
23	Miscellaneous Contract Services:					
24						
25						
26						
27						
28						
29	TOTAL OPERATING EXPENSES				32,193	
30	**NET OPERATING INCOME**				154,500	
31	Less: Annual Debt Service				108,836	
32	Less: Funded Reserves					
33	Less: Leasing Commissions					
34	Less: Capital Additions					
35	**CASH FLOW BEFORE TAXES**				$45,664	

The statements and figures herein, while not guaranteed, are secured from sources we believe authoritative.

Prepared by: *John Kirkland*

Cashflow Analysis Worksheet

Property Name	Stanford Lot 34	Purchase Price	2,259,029
Prepared For	JHU Practicum	Plus Acquisition Costs	
Prepared By	John Kirkland	Plus Loan Points	
Date Prepared	2-Dec-08	Less Mortgages	1,319,010
		Equals Initial Investment	940,019

Mortgage Data			Cost Recovery Data		
	1st Mortgage	2nd Mortgage		Improvements	Personal Property
Amount	1,319,010		Value	1,538,645	
Interest Rate	7.33%		C. R. Method	SL	
Amortization Period	30		Useful Life	39	
Loan Term	10		In Service Date	March-10	
Payments/Year	12	12	Date of Sale	February-20	
Periodic Payment	9,069.66	-	Recapture		
Annual Debt Service	108,836	-	Investment Tax		
Points			Credit ($$ or %)		

Taxable Income

Year :	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1 Potential Rental Income	123,750	152,955	157,544	162,270	167,138	172,152	177,317	182,636	188,115	193,759
2 +Other Income affected by vacancy	26,828	33,481	34,820	36,213	37,661	39,168	40,734	42,364	44,058	45,821
3 -Vacancy & Credit Losses										
4 =Effective Rental Income	150,578	186,436	192,364	198,483	204,799	211,320	218,051	225,000	232,174	239,579
5 +Other Income not affected by vacancy	5,000	6,180	6,427	6,684	6,952	7,230	7,519	7,820	8,132	8,458
6 =Gross Operating Income	155,578	192,616	198,791	205,167	211,751	218,550	225,570	232,820	240,306	248,037
7 -Operating Expenses	26,827	33,159	34,153	35,178	36,233	37,320	38,440	39,593	40,781	42,004
8 =NET OPERATING INCOME	128,750	159,457	164,637	169,989	175,518	181,229	187,130	193,227	199,525	206,033
9 -Interest - 1st Mortgage	80,287	95,478	94,465	93,375	92,203	90,942	89,586	88,126	86,556	84,867
10 -Interest - 2nd Mortgage										
11 -Cost Recovery - Improvements	31,234	39,451	39,451	39,451	39,451	39,451	39,451	39,451	39,451	4,939
12 -Cost Recovery - Personal Property										
13 -Amortization of Loan Points										
14 -Leasing Commissions										
15 =Real Estate Taxable Income	17,230	24,529	30,722	37,163	43,864	50,836	58,094	65,649	73,518	116,227
16 Tax Liability (Savings) at 28.0%	4,824	6,868	8,602	10,406	12,282	14,234	16,266	18,382	20,585	32,544

ØØØØ

Cash Flow

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
17 NET OPERATING INCOME (Line 8)	128,750	159,457	164,637	169,989	175,518	181,229	187,130	193,227	199,525	206,033
18 -Annual Debt Service	90,697	108,836	108,836	108,836	108,836	108,836	108,836	108,836	108,836	108,836
19 -Reserves for Replacements										
20 - Leasing Commissions										
21 =CASH FLOW BEFORE TAXES	38,054	50,621	55,802	61,153	66,682	72,393	78,294	84,391	90,689	97,197
22 -Tax Liability (Savings) (Line 16)	4,824	6,868	8,602	10,406	12,282	14,234	16,266	18,382	20,585	32,544
23 +Investment Tax Credit										
24 =CASH FLOW AFTER TAXES	$33,229	$43,753	$47,199	$50,748	$54,400	$58,159	$62,028	$66,009	$70,104	$64,653

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Stanford Lot 34 - Build Alternative

Alternative Cash Sales Worksheet

Mortgage Balances

Year:	2010	2011	2012	2013	2014
Principal Balance - 1st Mortgage	1,308,600	1,295,242	1,280,871	1,265,410	1,248,777
Principal Balance - 2nd Mortgage					
TOTAL UNPAID BALANCE	$1,308,600	$1,295,242	$1,280,871	$1,265,410	$1,248,777

	2015	2016	2017	2018	2019
Principal Balance - 1st Mortgage	1,230,883	1,211,633	1,190,923	1,168,644	1,144,675
Principal Balance - 2nd Mortgage					
TOTAL UNPAID BALANCE	$1,230,883	$1,211,633	$1,190,923	$1,168,644	$1,144,675

Calculation of Sale Proceeds

PROJECTED SALES PRICE	$2,659,458	$2,363,963	$2,127,567
	(At 8.% cap)	(At 9.% cap)	(At 10.% cap)
CALCULATION OF ADJUSTED BASIS:			
1 Basis at Acquisition	$2,259,029	$2,259,029	$2,259,029
2 +Capital Additions			
3 -Cost Recovery (Depreciation) Taken	351,781	351,781	351,781
4 -Basis in Partial Sales			
5 =Adjusted Basis at Sale	1,907,248	1,907,248	1,907,248
CALCULATION OF EXCESS COST RECOVERY			
6 Total Cost Recovery Taken (Line 3)	351,781	351,781	351,781
7 -Straight Line Cost Recovery	351,781	351,781	351,781
8 =Excess Cost Recovery			
CALCULATION OF CAPITAL GAIN ON SALE:			
9 Sale Price	2,659,458	2,363,963	2,127,567
10 -Costs of Sale	265,946	236,396	212,757
11 -Adjusted Basis at Sale (Line 5)	1,907,248	1,907,248	1,907,248
12 -Participation Payments			
13 =Total Gain	486,264	220,319	7,562
14 -Excess Cost Recovery (Line 8)			
15 -Suspended Losses			
16 =Gain or (Loss)	486,264	220,319	7,562
17 -Straight Line Cost Recovery (limited to gain)	351,781	220,319	7,562
18 =Capital Gain from Appreciation	134,483		
ITEMS TAXED AS ORDINARY INCOME:			
19 Excess Cost Recovery (Line 8)			
CALCULATION OF SALES PROCEEDS AFTER TAX:			
22 Sale Price	2,659,458	2,363,963	2,127,567
23 -Cost of Sale	265,946	236,396	212,757
24 -Participation Payments			
25 -Mortgage Balance(s)	1,144,675	1,144,675	1,144,675
26 =Sale Proceeds Before Tax	1,248,838	982,892	770,135
27 -Tax (Savings) : Ordinary Income at 28% (Line 21)			
28 -Tax : Straight Line Recapture at 25% (Line 17)	87,945	55,080	1,890
29 -Tax on Capital Gains at 15% (Line 18)	20,173		
30 =SALE PROCEEDS AFTER TAX	$1,140,720	$927,812	$768,245

The statements and figures herein, while not guaranteed, are secured from sources we believe authoritative.

Stanford Lot 34 - Build Alternative

INTERNAL RATES OF RETURN

BEFORE TAX

n	Alternative 1 $	n	Alternative 2 $	n	Alternative 3 $
0	(940,019)	0	(940,019)	0	(940,019)
1	38,054	1	38,054	1	38,054
2	50,621	2	50,621	2	50,621
3	55,802	3	55,802	3	55,802
4	61,153	4	61,153	4	61,153
5	66,682	5	66,682	5	66,682
6	72,393	6	72,393	6	72,393
7	78,294	7	78,294	7	78,294
8	84,391	8	84,391	8	84,391
9	90,689	9	90,689	9	90,689
10	97,197 + 1,248,838	10	97,197 + 982,892	10	97,197 + 770,135
IRR=	9.09%	IRR=	7.34%	IRR=	5.71%
NPV=	$0	NPV=	$0	NPV=	$0
@	9.09%	@	7.34%	@	5.71%

AFTER TAX

n	Alternative 1 $	n	Alternative 2 $	n	Alternative 3 $
0	(940,019)	0	(940,019)	0	(940,019)
1	33,229	1	33,229	1	33,229
2	43,753	2	43,753	2	43,753
3	47,199	3	47,199	3	47,199
4	50,748	4	50,748	4	50,748
5	54,400	5	54,400	5	54,400
6	58,159	6	58,159	6	58,159
7	62,028	7	62,028	7	62,028
8	66,009	8	66,009	8	66,009
9	70,104	9	70,104	9	70,104
10	64,653 + 1,140,720	5	64,653 + 927,812	5	64,653 + 768,245
IRR=	7.16%	IRR=	5.58%	IRR=	4.21%
NPV=	$0	NPV=	$0	NPV=	$0
@	7.16%	@	5.58%	@	4.21%

Cap rate used on Sale = 8.%	Cap rate on Sale = 9.%	Cap rate on Sale = 10.%

INTERNAL RATES OF RETURN

Stanford Lot 34 - Build Alternative

Lot Price, Rent and Financing Sensitivity

	Lot Purchase Price	Rent/SF	Loan Int. Rate	LTV	Amort	After Tax IRR @ 9% Cap Rate
Baseline	$400,000	$7.50	7.33	70	30	5.58%
1	$400,000	$7.80	7.33	70	30	6.53%
2	$400,000	$7.20	7.33	70	30	4.58%
3	$400,000	$7.50	8.00	70	30	4.96%
4	$400,000	$7.50	7.33	90	30	5.85%
5	$400,000	$7.50	7.33	70	25	5.59%
6	$350,000	$7.50	7.33	70	30	6.18%
7	$325,000	$7.50	7.33	70	30	6.50%

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Model Assumptions Lot 34
Stanford Industrial Park

Ordinary Income Tax Bracket	28%
Capital Gain Max Tax Rate	15%
Tax Rate on Straight Line Recapture	25%
Month Placed in Service:	3
(from CashFlows Sheet)	

	Year---->	1	2	3	4	5	6	7	8	9	10	11
Vacancy Rates (enter just year 1, or each year)		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Rent Income Escalators (enter just year 2, or each year)			3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Income Escalator, with vacancy			4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Other Income Escalator, without vacancy			3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expense Escalators (enter just year 2, or each year)			3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

	Alternative 1	Alternative 2	Alternative 3
Cap rate used in Sale	8.00%	9.00%	10.00%
Expenses of Sale	10.00%		

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APPENDIX M

CONDO BROCHURE

NOW SELLING INDUSTRIAL/FLEX WAREHOUSE CONDOS

1539 TILCO DRIVE, FREDERICK, MD
Off Reich's Ford Road and I-70 Exit 55

Project
*7 Acre Site
*Total Building 128,610 sf
*Phase I 77,040 sf 18 Units
*Phase II 51,570 sf 12 Units
*Parking: 198 Spaces

Description
*30 Industrial/Flex Warehouse Condos
*24' Ceiling Heights
*Full Truck Access Around Building
*Dock and Drive-Ins Available
*Multi Units Available for Larger Users

Delivery
*Phase I Fall 2007
*Phase II Summer '08

CALL JIM MACKINTOSH FOR MORE INFORMATION :
888-446-6225 (Office)
240-529-0101 (Direct)

MACKINTOSH, INC.
COMMERCIAL BROKERAGE
262 WEST PATRICK STREET • FREDERICK, MARYLAND 21701

BASE NOTES

1. HORIZONTAL DATUM BASED ON MARYLAND STATE PLANE COORDINATE SYSTEM PROVIDED BY HIGHLAND SURVEYING CO., INC. FROM A PLAT OF SURVEY OF GEORGE R. & VIOLET V. CLARK PROPERTY DATED AUGUST, 1986.
2. VERTICAL DATUM IS BASED ON CITY OF FREDERICK DATUM PROVIDED BY HIGHLAND SURVEYING CO., INC. TO CONVERT TO NAVD 88, SUBTRACT 1.58' FROM ELEVATION SHOWN ON THE PLAN.
3. SITE TOPOGRAPHY IS BY AERIAL PHOTOGRAPHY PROVIDED BY POTOMAC AERIAL SURVEY'S SUPPLEMENTED WITH AVAILABLE SITE GRADING PLANS.
4. PAVING AND UTILITIES SHOWN HEREON ARE FROM AVAILABLE UTILITY DRAWINGS AND THEIR LOCATIONS SHOULD BE CONSIDERED APPROXIMATE AND SHOULD BE VERIFIED BEFORE CONSTRUCTION.
5. THIS PLAN PREPARED WITHOUT THE BENEFIT OF CURRENT TITLE REPORT.
6. TOTAL SITE AREA IS 343,448 SF OR 7.88 AC.±.
7. THIS LOT IS SUBJECT TO "DECLARATION OF PROTECTIVE COVENANTS AND RESTRICTIONS FOR INDUSTRIAL CENTER EAST" RECORDED IN LIBER 1543 AT FOLIO 967 AND AS AMENDED BY ALL RECORDED AMEND–

FIRE / RESCUE NOTES

FIRE LANES SHALL BE ESTABLISHED BY THE FIRE MARSHALL DURING THE BUILDING PLAN REVIEW AND SHALL BE INSTALLED AS DIRECTED BY THE FIRE MARSHALL.

FIRE SAFETY REQUIREMENTS OUTLINES IN NFPA 1,1997 EDITION, FOR BUILDINGS UNDERGOING CONSTRUCTION SHALL BE STRICTLY ADHERED TO PRIOR TO AND DURING CONSTRUCTION.

GENERAL NOTES

1. Site is zoned Light Industrial (M1) and contains 7.88± acres.
2. Previous Case File reference numbers: PC04–48FSI
3. There are no wetlands or 100–year floodplain on this site.
4. Proposed use is office, showroom, and warehouse. The developer anticipates 20% office space, 10% showroom space, and 70% warehouse space.
5. Dimensional Regulations:
   Minimum frontage: 50 feet (796'± PROVIDED)
   Maximum building height: 90 feet (28'± PROPOSED)
   Minimum street setback: 30 feet (56'± PROPOSED)
   Minimum interior setback: 10 feet (45'± PROPOSED)
   Minimum rear setback: 10 feet (100'± PROPOSED)
   Impervious surface ratio: 90% (83% PROVIDED)
6. Area Summery:

	Phase 1	Phase 1&2
Bldg. Area:	77,040 SF	128,610 SF
Paving Area:	91,989 SF	146,258 SF
Green Space:	165,639 SF	59,677 SF
Total Lot:	343,448 SF	343,448 SF

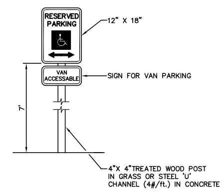
7. Parking requirements:

	Phase 1	Phase 1&2
Office:	15 (77) Spaces	26 (129) Spaces
Showroom:	15 (51) Spaces	26 (86) Spaces
Warehouse:	54 (154) Spaces	90 (257) Spaces
Total Req. Min. (Max.)	84 (282) Spaces	142 (472) Spaces
Parking Provided:	101 Spaces	198 Spaces

8. Loading requirements: (Retail 5,000–40,000 SF = 1 large)
   Minimum loading spaces: 1 Large (12'x50')
   Loading spaces provided: 8 Large (12'x50')
9. Site to be lighted with architecturally mounted wall lights placed in such a manner which eliminates glare into streets or adjacent properties.
10. Per Table 864–1, for Industrial Districts "Industrial Uses" the requirement is 2 SF per LF of building frontage (BF): 900 BF x 2 SF = 1,800 SF maximum. Maximum height is 15'–0". Maximum freestanding sign size is 100 SF. Maximum building mounted sign size is 1,350 SF.

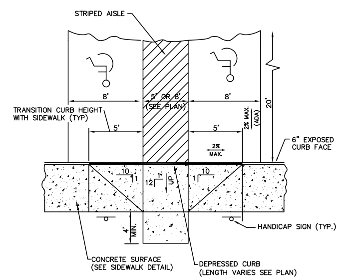
    Existing site signage to remain: none

    Proposed building signage:
    (1) Building mounted sign = 200 SF
    (1) Freestanding sign = 100 SF
    Total proposed: 300 SF
11. Trash pick–up by the private contractor is proposed.
12. Stormwater quantity and quality management is provided by the existing Industrial Center East SWM facility No.1 as shown on Improvement Plans prepared by HSA, Inc. dated 1990.
13. This site is exempt from Forest Conservation per Section 721(a)(7)H.1.
14. All work will be done in compliance with the Maryland Handicapped Code.
15. Developer / Contract Purchaser:
    Technical Property Services, Inc.
    C/O Claude J. Thomas II
    1819 L Street, NW
    Suite# 410
    Washington, DC 20036
    (202) 466–8774



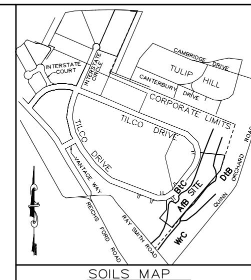
HANDICAP SIGN DETAIL

NTS



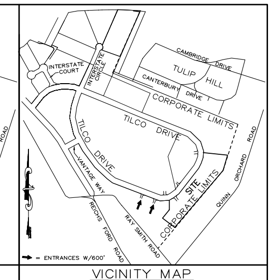
HANDICAP PARKING DETAIL

NTS



SOILS MAP

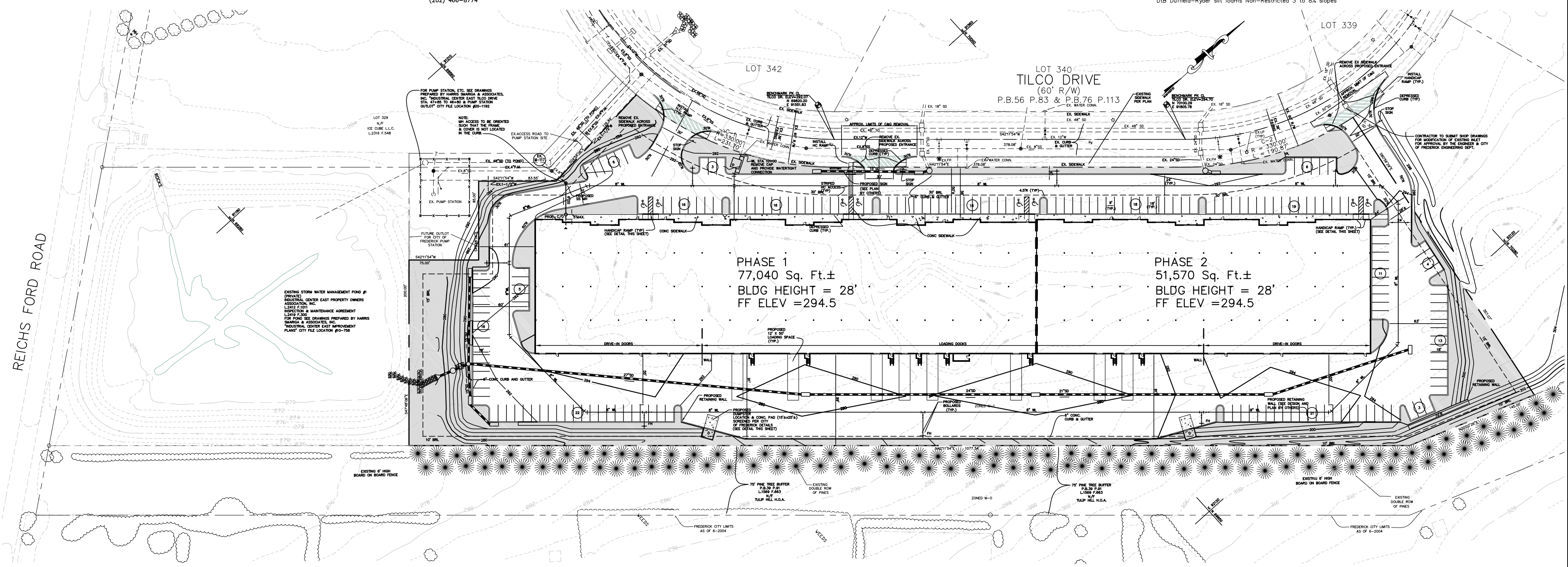
SCALE: 1"=800' FREDERICK COUNTY ELECTRONIC SOILS MAP # 77
P/O PARCELS 2141–A



VICINITY MAP

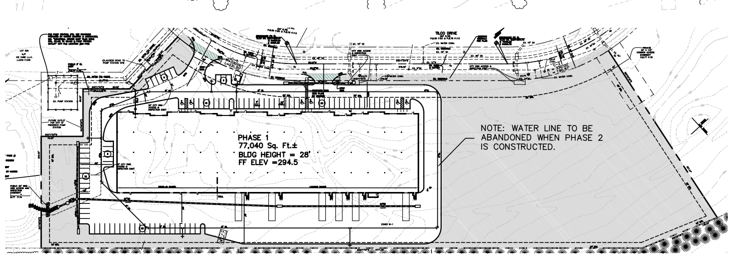
SCALE: 1"=800' FREDERICK CITY TAX MAP # 424
P/O PARCELS 2141–A

AfB Adamstown–Funkstown complex Floodplain 0 to 8% slopes
BtC Buckeystown loam Non–Restricted 8 to 15% slopes
DtB Duffield–Ryder silt loams Non–Restricted 3 to 8% slopes



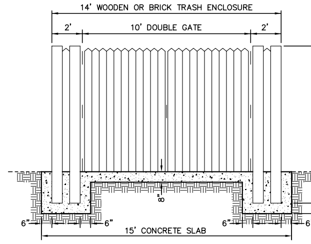
PHASE 1 AND 2

SCALE: 1" = 50'



PHASE 1 GRAPHIC

SCALE: 1" = 100'



DUMPSTER ENCLOSURE DETAIL

NTS

Harris,Smariga&Associates,Inc.
Planners/Engineers/Surveyors
125 South Carroll Street, Suite 100, Frederick, MD. 21701
301–662–4488

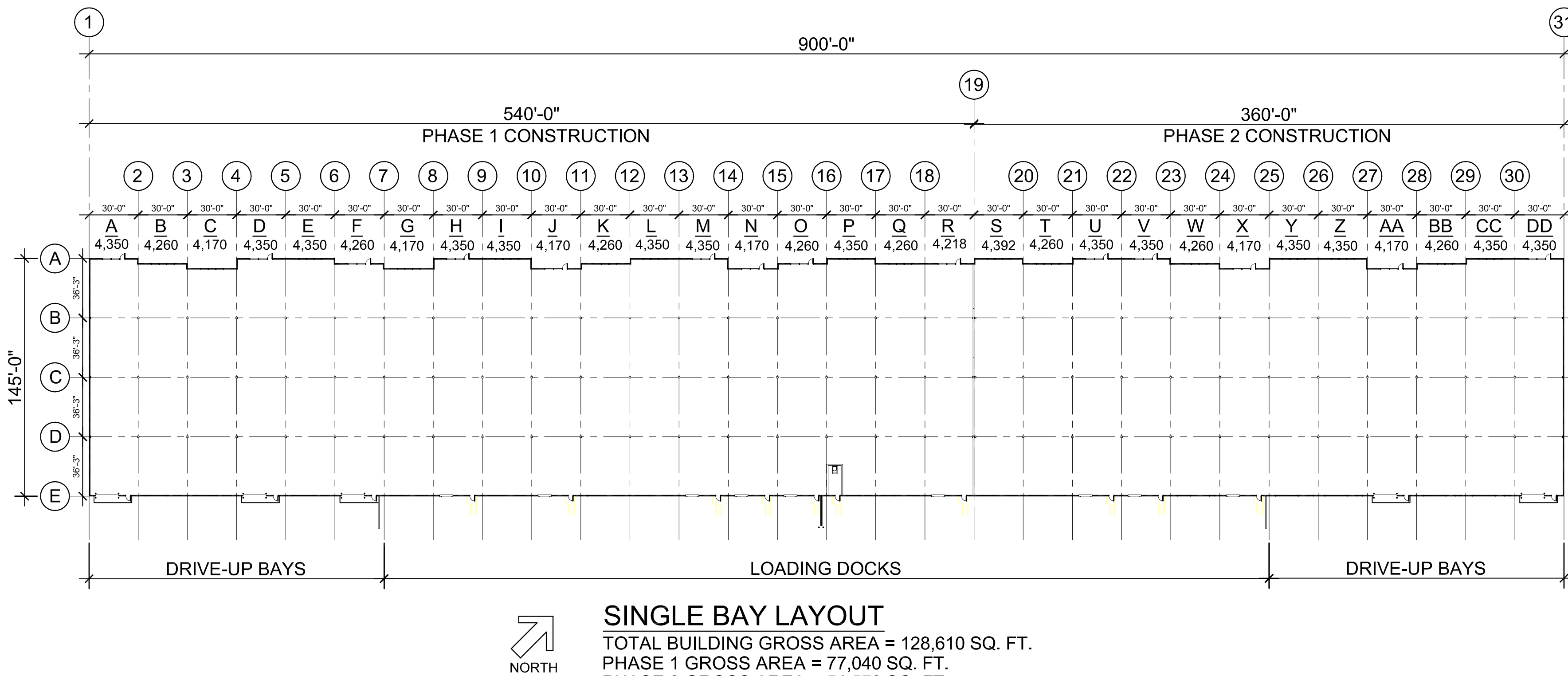
REVISIONS:

SITE PLAN
FOR
INDUSTRIAL CENTER EAST LOT 330
PHASE 1 AND 2

SITUATED ON TILCO DRIVE
CITY OF FREDERICK
ELECTION DISTRICT #2
FREDERICK COUNTY MARYLAND

SCALE:	AS SHOWN
DRAWN	BY: GTW
CHECKED	BY: CMS
DATE:	JULY 17, 2006
SHEET: 1	OF: 2
PROJECT:	5252

I:\PROJ\5252\dwg\Planning\LOT–330\SITE PLAN.dwg 7/17/2006 1:30 PM



SINGLE BAY LAYOUT

TOTAL BUILDING GROSS AREA = 128,610 SQ. FT.
PHASE 1 GROSS AREA = 77,040 SQ. FT.
PHASE 2 GROSS AREA = 51,570 SQ. FT.

INDUSTRIAL CENTER EAST
LOT 330

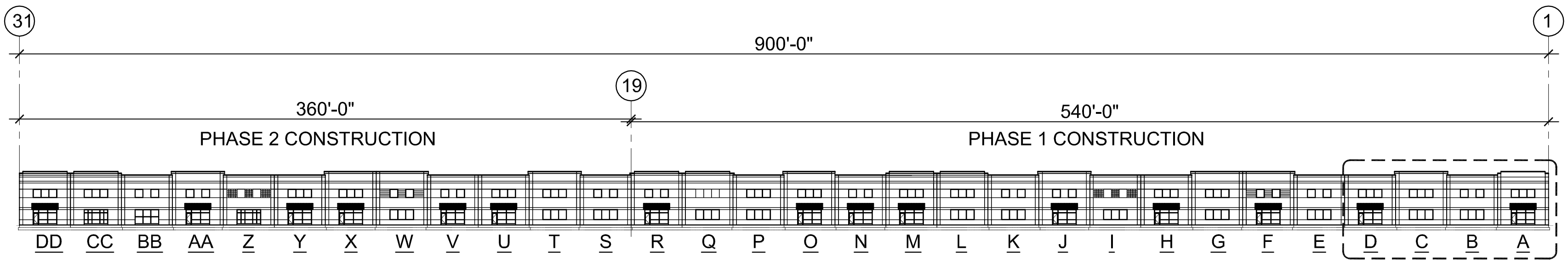
Tilco Drive
Frederick, Maryland 21701

OWNER: I.C.E. FREDERICK, LLC
c.o.
TECHNICAL PROPERTY SERVICES, INC.
1819 L STREET, NW
SUITE 410
WASHINGTON, D.C. 20036

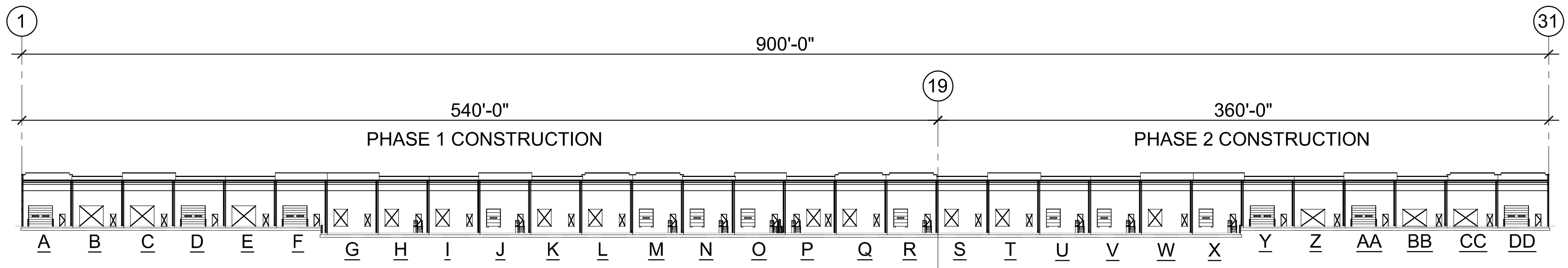
CMW GROUP, INC.
Architects / Planners
44 North Market Street - Suite 300
Frederick, Maryland 21701
Phone: 301-631-2995
Fax: 301-631-2924

DATE	07/19/06
PROJ. NO.	06-026-01

MK-1



NORTH (Front) ELEVATION



SOUTH (Rear) ELEVATION

INDUSTRIAL CENTER EAST
LOT 330

Tilco Drive
Frederick, Maryland 21701

OWNER: I.C.E. FREDERICK, LLC
c.o.
TECHNICAL PROPERTY SERVICES, INC.
1819 L STREET, NW
SUITE 410
WASHINGTON, D.C. 20036

CMW GROUP, INC.
Architects / Planners
44 North Market Street - Suite 300
Frederick, Maryland 21701
Phone: 301-631-2995
Fax: 301-631-2924

DATE	07/19/06
PROJ. NO.	06-026-01

MK-3

APPENDIX N

BUY PRO-FORMA

Annual Property Operating Data

Property Name	Tilco Condo - Buy Alternative
Location	Frederick County MD
Type of Property	Light Industrial
Size of Property	17,130 (Sq. Ft./Units)
Purpose of analysis	Feasibility Study - Buy Alternative

Purchase Price	1,884,300
Plus Acquisition costs	
Plus Loan Points	18,843
Less Mortgages	1,319,010
Equals Initial Investment	584,133

Assessed/Appraised Values

Land	32	32%
Improvements	68	68%
Personal Property		
Total	100	100%
Adjusted Basis as of:	2-Dec-08	$1,884,300

	Balance	Periodic Pmt	Pmts/Yr	Interest	Amort Period	Loan Term
1st	$1,319,010	$9,070	12	7.33%	30	10
2nd			12			

	ALL FIGURES ARE ANNUAL	$/SQ FT or $/Unit	% of GOI			COMMENTS/FOOTNOTES
1	**POTENTIAL RENTAL INCOME**	7.50			128,475	
2	Plus: Other Income (affected by vacancy)				41,122	NNN Reimbursables
3	Less: Vacancy & Cr. Losses		(	of)		100% pre-leased for 10 years
4	**EFFECTIVE RENTAL INCOME**				169,597	
5	Plus: Other Income (not affected by vacancy)				6,000	Management Fee
6	**GROSS OPERATING INCOME**				175,597	
	OPERATING EXPENSES:					
7	Real Estate Taxes	2.03		34,784		
8	Personal Property Taxes					
9	Property Insurance					
10						
11						
12						
13	Administrative	0.09		1,542		
14	Repairs and Maintenance					
	Utilities:					
15						
16						
17						
18						
19	Accounting and Legal	0.20		3,426		
20	Licenses/Permits	0.08		1,370		
21	Landscape					
22	Supplies					
23	Miscellaneous Contract Services:					
24						
25						
26						
27						
28						
29	TOTAL OPERATING EXPENSES				41,122	
30	**NET OPERATING INCOME**				134,475	
31	Less: Annual Debt Service				108,836	
32	Less: Funded Reserves					
33	Less: Leasing Commissions					
34	Less: Capital Additions					
35	**CASH FLOW BEFORE TAXES**				$25,639	

The statements and figures herein, while not guaranteed, are secured from sources we believe authoritative.

Prepared by: *John Kirkland*

Cashflow Analysis Worksheet

Property Name	Tilco Condo - Buy Alternative		Purchase Price	1,884,300
Prepared For	JHU Practicum		Plus Acquisition Costs	
Prepared By	John Kirkland		Plus Loan Points	
Date Prepared	2-Dec-08		Less Mortgages	1,319,010
			Equals Initial Investment	565,290

Mortgage Data			Cost Recovery Data		
	1st Mortgage	2nd Mortgage		Improvements	Personal Property
Amount	1,319,010		Value	1,283,414	
Interest Rate	7.33%		C. R. Method	SL	
Amortization Period	30		Useful Life	39	
Loan Term	10		In Service Date	March-09	
Payments/Year	12	12	Date of Sale	February-19	
Periodic Payment	9,069.66	-	Recapture		
Annual Debt Service	108,836	-	Investment Tax Credit ($$ or %)		
Points					

Taxable Income

Year :	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1 Potential Rental Income	107,063	132,329	136,299	140,388	144,600	148,938	153,406	158,008	162,748	167,631
2 +Other Income affected by vacancy	34,268	42,356	43,626	44,935	46,283	47,672	49,102	50,575	52,092	53,655
3 -Vacancy & Credit Losses										
4 =Effective Rental Income	141,331	174,685	179,925	185,323	190,883	196,609	202,508	208,583	214,840	221,286
5 +Other Income not affected by vacancy	5,000	6,180	6,427	6,684	6,952	7,230	7,519	7,820	8,132	8,458
6 =Gross Operating Income	146,331	180,865	186,353	192,008	197,835	203,839	210,027	216,403	222,973	229,743
7 -Operating Expenses	34,269	42,356	43,627	44,935	46,283	47,672	49,102	50,575	52,092	53,655
8 =NET OPERATING INCOME	112,062	138,509	142,726	147,072	151,551	156,167	160,924	165,827	170,880	176,088
9 -Interest - 1st Mortgage	80,287	95,478	94,465	93,375	92,203	90,942	89,586	88,126	86,556	84,867
10 -Interest - 2nd Mortgage										
11 -Cost Recovery - Improvements	26,053	32,907	32,907	32,907	32,907	32,907	32,907	32,907	32,907	4,120
12 -Cost Recovery - Personal Property										
13 -Amortization of Loan Points										
14 -Leasing Commissions										
15 =Real Estate Taxable Income	5,723	10,124	15,354	20,790	26,441	32,318	38,432	44,794	51,417	87,101
16 Tax Liability (Savings) at 28.0% ØØØØ	1,602	2,835	4,299	5,821	7,403	9,049	10,761	12,542	14,397	24,388

Cash Flow

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
17 NET OPERATING INCOME (Line 8)	112,062	138,509	142,726	147,072	151,551	156,167	160,924	165,827	170,880	176,088
18 -Annual Debt Service	90,697	108,836	108,836	108,836	108,836	108,836	108,836	108,836	108,836	108,836
19 -Reserves for Replacements										
20 - Leasing Commissions										
21 =CASH FLOW BEFORE TAXES	21,366	29,673	33,890	38,236	42,715	47,331	52,089	56,992	62,045	67,252
22 -Tax Liability (Savings) (Line 16)	1,602	2,835	4,299	5,821	7,403	9,049	10,761	12,542	14,397	24,388
23 +Investment Tax Credit										
24 =CASH FLOW AFTER TAXES	$19,763	$26,838	$29,591	$32,415	$35,312	$38,282	$41,328	$44,449	$47,648	$42,864

Tilco Condo - Buy Alternative

Alternative Cash Sales Worksheet

Mortgage Balances

Year:	2009	2010	2011	2012	2013
Principal Balance - 1st Mortgage	1,308,600	1,295,242	1,280,871	1,265,410	1,248,777
Principal Balance - 2nd Mortgage					
TOTAL UNPAID BALANCE	$1,308,600	$1,295,242	$1,280,871	$1,265,410	$1,248,777
	2014	2015	2016	2017	2018
	1,230,883	1,211,633	1,190,923	1,168,644	1,144,675
	$1,230,883	$1,211,633	$1,190,923	$1,168,644	$1,144,675

Calculation of Sale Proceeds

PROJECTED SALES PRICE	$2,268,192	$2,016,171	$1,814,554
	(At 8.% cap)	(At 9.% cap)	(At 10.% cap)
CALCULATION OF ADJUSTED BASIS:			
1 Basis at Acquisition	$1,884,300	$1,884,300	$1,884,300
2 +Capital Additions			
3 -Cost Recovery (Depreciation) Taken	293,429	293,429	293,429
4 -Basis in Partial Sales			
5 =Adjusted Basis at Sale	1,590,871	1,590,871	1,590,871
CALCULATION OF EXCESS COST RECOVERY			
6 Total Cost Recovery Taken (Line 3)	293,429	293,429	293,429
7 -Straight Line Cost Recovery	293,429	293,429	293,429
8 =Excess Cost Recovery			
CALCULATION OF CAPITAL GAIN ON SALE:			
9 Sale Price	2,268,192	2,016,171	1,814,554
10 -Costs of Sale	226,819	201,617	181,455
11 -Adjusted Basis at Sale (Line 5)	1,590,871	1,590,871	1,590,871
12 -Participation Payments			
13 =Total Gain	450,502	223,683	42,227
14 -Excess Cost Recovery (Line 8)			
15 -Suspended Losses			
16 =Gain or (Loss)	450,502	223,683	42,227
17 -Straight Line Cost Recovery (limited to gain)	293,429	223,683	42,227
18 =Capital Gain from Appreciation	157,073		
ITEMS TAXED AS ORDINARY INCOME:			
19 Excess Cost Recovery (Line 8)			
CALCULATION OF SALES PROCEEDS AFTER TAX:			
22 Sale Price	2,268,192	2,016,171	1,814,554
23 -Cost of Sale	226,819	201,617	181,455
24 -Participation Payments			
25 -Mortgage Balance(s)	1,144,675	1,144,675	1,144,675
26 =Sale Proceeds Before Tax	896,698	669,879	488,423
27 -Tax (Savings) : Ordinary Income at 28% (Line 21)			
28 -Tax : Straight Line Recapture at 28% (Line 17)	82,160	62,631	11,824
29 -Tax on Capital Gains at 15% (Line 18)	23,561		
30 =SALE PROCEEDS AFTER TAX	$790,977	$607,248	$476,600

The statements and figures herein, while not guaranteed, are secured from sources we believe authoritative.

Tilco Condo - Buy Alternative

INTERNAL RATES OF RETURN

BEFORE TAX

	Alternative 1		Alternative 2		Alternative 3
n	**$**	**n**	**$**	**n**	**$**
0	(584,133)	0	(584,133)	0	(584,133)
1	21,366	1	21,366	1	21,366
2	29,673	2	29,673	2	29,673
3	33,890	3	33,890	3	33,890
4	38,236	4	38,236	4	38,236
5	42,715	5	42,715	5	42,715
6	47,331	6	47,331	6	47,331
7	52,089	7	52,089	7	52,089
8	56,992	8	56,992	8	56,992
9	62,045	9	62,045	9	62,045
10	67,252 + 896,698	10	67,252 + 669,879	10	67,252 + 488,423
IRR=	10.36%	IRR=	8.2%	IRR=	6.09%
NPV=	$0	NPV=	$0	NPV=	$0
@	10.36%	@	8.2%	@	6.09%

AFTER TAX

	Alternative 1		Alternative 2		Alternative 3
n	**$**	**n**	**$**	**n**	**$**
0	(584,133)	0	(584,133)	0	(584,133)
1	19,763	1	19,763	1	19,763
2	26,838	2	26,838	2	26,838
3	29,591	3	29,591	3	29,591
4	32,415	4	32,415	4	32,415
5	35,312	5	35,312	5	35,312
6	38,282	6	38,282	6	38,282
7	41,328	7	41,328	7	41,328
8	44,449	8	44,449	8	44,449
9	47,648	9	47,648	9	47,648
10	42,864 + 790,977	5	42,864 + 607,248	5	42,864 + 476,600
IRR=	8.24%	IRR=	6.2%	IRR=	4.46%
NPV=	$0	NPV=	$0	NPV=	$0
@	8.24%	@	6.2%	@	4.46%
	Cap rate used on Sale = 8.%		Cap rate on Sale = 9.%		Cap rate on Sale = 10.%

INTERNAL RATES OF RETURN

Tilco Condo - Buy Alternative

Price, Rent and Financing Sensitivity

	Purchase Price/ SF	Rent/SF	Loan Int. Rate	LTV	Amort	After Tax IRR @ 9% Cap Rate
Baseline	$110.00	$7.50	7.33	70	30	6.20%
1	$110.00	$7.80	7.33	70	30	7.44%
2	$110.00	$7.20	7.33	70	30	4.88%
3	$110.00	$7.50	8.00	70	30	5.22%
4	$110.00	$7.50	7.33	90	30	7.73%
5	$110.00	$7.50	7.33	70	25	6.18%
6	$130.00	$7.50	7.33	70	30	1.46%
7	$100.00	$7.50	7.33	70	30	10.49%

Tilco Condo - Buy Alternative

Ordinary Income Tax Bracket	28%
Capital Gain Max Tax Rate	15%
Tax Rate on Straight Line Recapture	28%
Month Placed in Service:	3
(from CashFlows Sheet)	

	Year---->	1	2	3	4	5	6	7	8	9	10	11
Vacancy Rates (enter just year 1, or each year)		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Rent Income Escalators (enter just year 2, or each year)			3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Income Escalator, with vacancy			3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Income Escalator, without vacancy			3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expense Escalators (enter just year 2, or each year)			3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

	Alternative 1	Alternative 2	Alternative 3
Cap rate used in Sale	8.00%	9.00%	10.00%
Expenses of Sale	10.00%		

John Kirkland